

# **NOMINATION OF RUTHERFORD M. POATS**

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**HEARING**  
**BEFORE THE**  
**COMMITTEE ON FOREIGN RELATIONS**  
**UNITED STATES SENATE**  
**NINETIETH CONGRESS**  
**FIRST SESSION**  
**ON THE**  
**NOMINATION OF RUTHERFORD M. POATS, TO BE**  
**DEPUTY ADMINISTRATOR, AGENCY FOR**  
**INTERNATIONAL DEVELOPMENT**

APRIL 10, 1967



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II



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## CONTENTS

	Page
Statement of:	
Bayh, Hon. Birch, a U.S. Senator from the State of Indiana.....	30
Poats, Rutherford M., nominee to be Deputy Administrator, Agency for International Development.....	3
Insertions for the record:	
Biographic sketch of Mr. Poats.....	1
Letter from Hon. Strom Thurmond, U.S. Senator from South Caro- lina.....	2
Letter from Hon. Ernest F. Hollings, U.S. Senator from South Caro- lina.....	2
Letter from Hon. John E. Moss, U.S. Representative from California..	3
Telegram from Hon. Clement E. Zablocki, U.S. Representative from Wisconsin.....	3
Free World Assistance to Vietnam, as of April 1, 1967.....	13
Article entitled, "Renaming of Poats to AID Expected," from the Washington Post, February 4, 1967.....	27
Editorial entitled "AID Appointee," from the Washington Post, February 28, 1967.....	28
Response by Rutherford M. Poats to the statement of Senator Bayh..	47

III

## NOMINATION OF RUTHERFORD M. POATS, TO BE DEPUTY ADMINISTRATOR, AGENCY FOR INTER- NATIONAL DEVELOPMENT

MONDAY, APRIL 10, 1967

UNITED STATES SENATE,  
COMMITTEE ON FOREIGN RELATIONS,  
*Washington, D.C.*

The committee met, pursuant to notice, at 10:05 a.m., in room 4221, New Senate Office Building, Senator J. W. Fulbright (chairman) presiding.

Present: Senators Fulbright, Sparkman, Lausche, Symington, Pell, Carlson, and Williams.

The CHAIRMAN. The committee will come to order.

The committee is meeting this morning to consider in open session the nomination of Rutherford M. Poats of Virginia to be Deputy Administrator, Agency for International Development.

Mr. Poats, will you come forward, please, sir.

(The biographic sketch of Mr. Poats follows:)

### RUTHERFORD M. POATS

*Present position.*—Assistant Administrator for the Far East, Agency for International Development.

*Office address.*—Agency for International Development, Washington, D.C.

*Born.*—August 8, 1922, South Carolina.

*Legal residence.*—Virginia.

*Marital status.*—Married.

*Family.*—Wife: Esther (Smith); Children: Penfield, born August 8, 1949; Huntley, born July 26, 1952; Rutherford S., born January 23, 1954; Grayson born June 9, 1957.

*Home address.*—6352 Crosswoods Drive, Falls Church, Virginia 22044.

*Education.*—A.B., 1943, Emory University.

*Experience.*—Non-Government: 1940-41, reporter.

Military: 1943-46, U.S. Army, Captain, overseas, Chief, Armed Forces Information Section, General Headquarters, Far East Command, U.S. Army.

Non-Government: 1947-51, Foreign Correspondent, United Press International, Tokyo, Japan; 1951-57, Bureau Chief, United Press International, Tokyo, Japan; 1957-61, Reporter, Asian Affairs and Assistant Chief, Foreign Department, United Press International, Washington, D.C.

Government: 1946-47, Chief, Information Section, TI & E, Far East Command, War Department; 1961, Special Assistant, Bureau of Far East, Agency for International Development; 1963, Deputy Assistant Administrator for Program, Bureau for Far East, Agency for International Development; November 1963, Acting Assistant Administrator for the Far East, Agency for International Development; 1964 to present, Assistant Administrator for the Far East, Agency for International Development.

*Author.*—"Decision in Korea," 1954.

*Memberships and clubs.*—Phi Beta Kappa.

The CHAIRMAN. Before I ask Mr. Poats to testify, I would like to put in the record a letter from the senior Senator from South Carolina, the Honorable Strom Thurmond; a letter from the junior Senator, the Honorable Ernest F. Hollings; and a letter from Congressman John E. Moss, chairman of the Government Information and Foreign Operations Subcommittee of the Committee on Government Operations of the House; and a telegram from Congressman Clement J. Zablocki, all supporting the nomination of Mr. Poats.

(The communications referred to follow:)

U.S. SENATE,  
COMMITTEE ON THE JUDICIARY,  
April 7, 1967.

Senator J. W. FULBRIGHT,  
*Chairman, Senate Foreign Relations Committee,  
New Senate Office Building, Washington, D.C.*

DEAR MR. CHAIRMAN: Unfortunately, a prior commitment prevents me from being personally in attendance at the hearing on the nomination of Mr. Rutherford M. Poats to be Deputy Administrator of the Agency for International Development.

However, I want to take this opportunity to express my support for Senate confirmation of Mr. Poats' nomination to fill this important assignment.

Mr. Poats was born and spent his early life in South Carolina. He received his grade school education in the public schools of South Carolina, although his college degree was earned at Emory University in Atlanta, Georgia.

Mr. Poats' experience and proven capabilities make him particularly well qualified to perform the duties required of the Deputy Administrator of AID. His many achievements since having joined the staff of AID reflect credit upon both himself and the Agency. It is a pleasure for me to recommend that the Committee act favorably upon this nomination.

With kind regards,  
Sincerely,

STROM THURMOND.

U.S. SENATE,  
*Washington, D.C., April 10, 1967.*

Hon. J. WILLIAM FULBRIGHT,  
*Chairman of the Foreign Relations Committee,  
U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: It is my pleasure to take this opportunity to recommend to the Committee Mr. Rutherford M. Poats for confirmation as Assistant Administrator, U.S. Department of State, Agency for International Development.

Mr. Poats has proven through his service that he has an unusual insight into the complexities of international affairs, government administration, and economic matters—both foreign and domestic. He has proven through his performance that he is one of our most knowledgeable and capable analysts and administrators in the international field.

His eleven years of broad and diverse foreign service experience qualify him uniquely for the position for which he has been recommended. This experience includes four years as an Asian affairs specialist for United Press International, and for the past few years as senior executive charged with managing A.I.D.'s complex Far East Program.

While affiliated with A.I.D., Mr. Poats has compiled an outstanding record. He was instrumental in implementing many of the President's economic and social initiatives for Southeast Asia, including the recent establishment of the Asian Development Bank.

It is a pleasure to be able to recommend such an outstanding South Carolinian for this high post.

Sincerely,

ERNEST F. HOLLINGS.

FOREIGN OPERATIONS AND GOVERNMENT INFORMATION SUBCOMMITTEE,  
OF THE COMMITTEE ON GOVERNMENT OPERATIONS,  
February 27, 1967.

Hon. J. WILLIAM FULBRIGHT,  
Chairman, Committee on Foreign Relations,  
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: I understand that the confirmation of Rutherford Poats as Deputy Administrator of A.I.D. is currently before the Senate and I would like you to know that I personally consider him well qualified for the job.

During the past year, the Subcommittee on Foreign Operations and Government Information conducted a detailed investigation of AID's Vietnam program. In the course of this investigation, I came to know Mr. Poats well and to have great respect for his abilities.

The Subcommittee's final report was critical of the AID Vietnam program in a number of respects and some people have taken these criticisms as a reflection on the competency of Mr. Poats. This is definitely not the case. In my judgment he has done a fine job under exceptionally difficult circumstances. The deficiencies we found in AID's Vietnam program are not directly ascribable to Mr. Poats and do not reflect unfavorably on him. In his appearances before the Subcommittee and in numerous personal contacts he has always been well-informed, candid, and responsive to our needs.

I believe Mr. Poats to be a man of great ability and integrity and it is my earnest hope that he will be confirmed in the position for which he has been nominated.

Sincerely,

JOHN E. MOSS, *Chairman.*

WASHINGTON, D.C., April 7, 1967.

Hon. J. W. FULBRIGHT,  
Chairman, Senate Foreign Relations Committee,  
Senate Office Building,  
Washington, D.C.

DEAR MR. CHAIRMAN: Throughout my tenure as chairman of the House Subcommittee on Asian and Pacific Affairs I have given constant and close study to the economic development of Asia. During that period I have had the opportunity to work with various Deputy Administrators in the Agency for International Development. On the basis of that experience I can say unequivocally that none have surpassed in overall competence Mr. Rutherford Poats. His comprehensive knowledge of Asian development problems, his ability to devise meaningful and effective solutions, and his articulation in testifying before Congress on these complex issues has never been surpassed. Against this background may I urge your committee's favorable consideration of Mr. Poats' appointment as Deputy Administrator of the Agency for International Development.

CLEMENT J. ZABLOCKI.

*Chairman, Subcommittee on Asian and Pacific Affairs.*

The CHAIRMAN. Mr. Poats, we are very pleased to have you. Will you give us for the record a short statement of your experience.

**STATEMENT OF RUTHERFORD M. POATS, NOMINEE TO BE DEPUTY ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT**

Mr. POATS. Yes, Mr. Chairman.

I joined AID 5½ years ago as Special Assistant on Far Eastern Affairs to the then Assistant Administrator of AID.

Prior to that time, I was a United Press reporter, news manager, bureau manager, most recently in Washington in the foreign department of the United Press, concentrating on Asia.

Prior to that time, I was in the Tokyo Bureau of the United Press as bureau chief, and earlier as reporter in a number of countries in the Far East.

Prior to that time, I served as the Chief of the Information Section of the Troop Information and Education Office of the Far East Com-

mand, and in the military services in the Far East at the end of the war, I had some service prior to the war with the International News Service.

My connections with the Far East, therefore, go back to 1945, and have been almost continuous from that time.

In the fall of 1963 I was made Acting Assistant Administrator of AID for the Far East, and was nominated and confirmed, sworn into this position, almost exactly three years ago.

The CHAIRMAN. Thank you, Mr. Poats.

#### SIGNIFICANCE OF FOREIGN AID

Mr. Poats, I wonder if you would give us your feeling about foreign aid in general and its significance to our interests in the world, particularly in Asia.

Mr. POATS. Yes, Mr. Chairman. I will try to resist sounding corny on this subject, but I am here because I feel a very keen sense of the fortunate coincidence of purposes in the aid program.

It seems to me that in economic assistance, a man has the opportunity to both serve the national interests of the United States and serve the larger interests of the developing world. I cannot think of a function in which greater satisfaction and a sense of purposeful life can be found.

On the more immediate interest of your question as to aid in Asia, I would like to suggest the diversity of the uses, purposes of economic assistance by looking at a few of the countries that I have been working with during the past five years.

In the past three years, public attention has been largely focused on Vietnam. But during that period I have divided my attention between that problem and the varied tasks of aid elsewhere in the Far East.

Shortly after I came into office in my present position we accelerated the timetable for termination of aid to Taiwan because it was possible. We arranged to endow with local currency derived from counterpart funds of previously committed aid the continued development of Taiwan, which included its pioneer family planning program and its own overseas technical assistance work in agriculture.

Now, the people of Taiwan are engaged with us in a number of agricultural development programs in Africa and other places.

During the past four years Korea has emerged from the despairing prospect of a permanent dole to a model development case. In 1965 and 1966 its self-help performance, particularly in taxation, savings, investment, and family planning, has been, again, a model for other developing countries in other regions.

In both Korea and Taiwan we have seen the obligation and exercised the opportunity to provide through our policy advice not only means for achieving economic development, but also to bringing about greater opportunities, systems for social justice. I conceive this to be an important element of the aid task.

In southeast Asia, the last two years particularly, we have been looking beyond the Vietnam and Laos wars to try to encourage through the use of offers of aid and advice the already existing but limited, at the outset, Asian interests in establishing a system of regional cooperation for development which would bring together in several forms of regional integration the commitment of the countries of the region

without respect to political systems, and other developed countries in a joint effort to produce a better era, a better prospect for southeast Asia.

The end of the Vietnam war, of course, and conditions for reduction of military expenditures would be the essential prerequisites to achieving that new era in any full sense. But the foundations are being laid today for this system which would provide an answer not just to some development problems but also to some degree to the security problems of that area.

So here, again, I see a means of using economic aid to achieve these broad purposes, all consistent with our prime purpose.

#### SPIRIT OF REGIONALISM

This spirit of regionalism, as you know, Mr. Chairman, has ignited lately in response to offers of help not only by us but by Japan, the Netherlands, and other countries. Regional organizations of all sorts are springing up—the Asian Development Bank, the Southeast Asian Ministers of Education Council, groups in transportation, agriculture, and the U.N. organizations already existing, which have been stimulated to new activity.

I think this work with Eugene Black may prove to be the most important of my career in AID, and I hope it will have relevance in other parts of AID activity.

Another country which illustrates the diversity of the definition and problems of aid, and the opportunity, is Indonesia. The Indonesians, of course, have returned to a sane approach to their internal problems. They face probably the most crucial, as well as difficult, task of economic recovery that I know about in the world today.

I have been engaged very closely with the international agencies, the Asian Development Bank, and with the French-led group on debt rescheduling, and the Dutch-led group on new aid, to help to bring about a joint participation—which has come about—in the solution to the problems the Indonesian Government has inherited.

Another example of the variety of our interests and programs are the efforts we have made, working with local leaders in northeast Thailand, Laos, the Philippines, particularly in Luzon, lately in devising new methods for comprehensive rural development which have both an economic output and a local political institutional development and purpose.

These are efforts at the grassroots, political development, if you will, which may be applicable to other countries and other regions because it is certainly clear that economic development requires local organization, local social mobilization, institutions to carry out this thing called self-help.

Mr. Chairman, if you will, I can proceed to other areas, but this gives some of the variety of the tasks that I have been concerned with, apart from Vietnam. And even there, it seems to me that the essential methods and purposes of aid have been applied, are being applied, with the focus on nation-building under the most difficult circumstances, but nation-building from the village and hamlet up, local institutional developments from the hamlet up. But there we have also to add an enormous effort to reduce the human suffering and economic and social dislocation of the war and to attempt to apply our resources to induce



and help the Government to reduce the legitimate bases for grievance which have been the breeding ground and the basis for the Communist-led insurgency.

#### OPERATION IN VIETNAM

Now, this operation in Vietnam, of course, is a very special thing, and it is certainly true that in part our judgments and our decisions have been affected by the sense of urgency that war requires.

If we can shorten the war or increase the prospects of a more secure peace by the use of economic assistance, we have done so. We are continuing to do so, even at costs and risks greater than we would accept in other more normal situations.

We simply have not been able to wait for the optimum conditions of aid administration before undertaking these programs.

We have attempted, of course—I think we have a substantial record of success recently—to reduce by further management improvements the waste that is to some degree inevitable in this kind of a situation. We do not like it. We are trying to reduce it. But when the chips are down we have often chosen to take a risky course when it seemed possible that by doing so we could shorten the war and improve the prospects for a good settlement.

In all these diverse programs, we have faced difficult management problems. Recently we have recognized the necessity to concentrate more management strength on the Vietnam operation in Washington, so we are splitting the Bureau which I head into two: One solely on Vietnam, one on the rest of east Asia, including the regional programs, each to be headed by an assistant administrator who will be nominated to the Senate and heard by this committee.

The CHAIRMAN. That is very interesting, Mr. Poats.

#### BILATERAL AGREEMENTS VERSUS MULTILATERAL AGENCIES

Do you feel that it is wiser for the United States to extend aid directly through bilateral agreements, or through international multilateral agencies?

Mr. POATS. I think every time we have an opportunity, a means of working through the multilateral agencies, and depending upon them to do a development job, we should.

There are certain types of situations, such as Indonesia today, in which there is no multilateral institution prepared to do the job, and there you must take the next best step of organizing an international consultative arrangement participated in by the multilateral agencies, advised by them, but depending for the larger part of its resources on bilateral programs that are coordinated through this mechanism.

#### AMOUNT OF U.S. AID TO TAIWAN, KOREA, INDONESIA

The CHAIRMAN. Mr. Poats, you mentioned Taiwan. Could you give us an estimate of how much aid we have given Taiwan since the war?

Mr. POATS. My recollection, Mr. Chairman, was that it was \$1½ billion over a 15-year period.

The CHAIRMAN. Is that all?

Mr. POATS. That was all the economic assistance.

The CHAIRMAN. The total aid?

Mr. POATS. Military assistance, I think, was about the same magnitude. I am not sure.

The CHAIRMAN. Your estimate then of the total economic and military assistance to Taiwan would be in the neighborhood of \$3 billion?

Mr. POATS. I believe that is right.

The CHAIRMAN. What do you say about Korea? What is our total economic and military aid to Korea?

Mr. POATS. I think the figure is about, close to, \$3 billion in economic aid, and about \$2 in military, as I recall, Mr. Chairman. I would have to check that. It has been a larger program. Of course, the country is about twice the size of Taiwan. It has had very large military forces along the truce line, as you know.

The CHAIRMAN. We have given aid to Indonesia in the past, too.

Mr. POATS. That is right.

The CHAIRMAN. How much would you guess?

Mr. POATS. Going back to the period of the Dutch rule before independence, the total was in excess of \$800 million. Counting the period of Indonesian independence, I believe \$650 million or thereabouts.

Then, of that, by far the largest proportion was Public Law 480 sales of rice, cotton, and so on; and, secondly, Export-Import Bank loans, relatively small AID-type aid.

The CHAIRMAN. The aid totals mentioned a moment ago concerning economic and military included Public Law 480, did they not?

Mr. POATS. Yes.

#### U.S. EXPENDITURES IN ASIA

The CHAIRMAN. How about Vietnam? What is your estimate now of how much we are spending in Vietnam?

Mr. POATS. I am sorry, these cumulative figures are not in my mind. It has been about a total of \$1.8 billion from 1954 through 1963, and then accelerated to the present level of about a half a billion dollars a year.

The CHAIRMAN. What I was trying to get at—I won't hold you to the precise figures, although this is your area—is that we have made a very substantial effort in this area.

Mr. POATS. Yes, indeed; certainly.

The CHAIRMAN. What is your idea of the justification for this? What do you seek to achieve for the United States, the people of this country, by such a major expenditure of our funds?

Mr. POATS. In Vietnam?

The CHAIRMAN. Taiwan and Vietnam or Korea. What is the objective? Can you tell us rather briefly?

If you were talking to my constituent, how would you justify the diversion of these funds for these purposes? What is the overriding purpose that justifies the program?

Mr. POATS. Well, there are several purposes, Mr. Chairman, as you well know. As I would phrase it, they are these: first, we have been engaged in supporting the defense of northeast Asia through, in effect, supplementing the resources of a poor country, Korea, and a poor country, Taiwan, to enable them to maintain military defenses which are in our joint interests.

Certainly all the costs of a new war and all the costs of the Korean war itself demonstrate the wisdom of this.

Second, we have been engaged in helping these two countries to acquire the means for their own self-support through investment in their productive facilities, infrastructure, and human resources, such as educational institutions, and imports to maintain an expanding pace of domestic production to reach the so-called takeoff point in their own development. These are the two principal purposes.

There is, of course, a more philosophical purpose of lending a hand to people in need and attempting to bring them to the point that they are no longer in need.

I submit that these two programs we are talking about now, Korea and Taiwan, are examples of achievement of all those three objectives.

#### DETERMINATION OF PRIORITIES

The CHAIRMAN. Just for the record, I have been given a figure of \$4.464 billion in total from 1949 to 1965. That is quite a substantial sum.

I am trying to develop a sense of priority. How do we determine whether Taiwan, for example, is more important to us than the regeneration of our own cities, the dealing with pollution, and the dealing with the conditions that cause riots like Watts and Harlem that we have had in recent years. How do you justify that? This is what bothers me.

Mr. POATS. I would say, Mr. Chairman, that I cannot make that judgment because I am obviously a person who is not broadly engaged in both. But I would certainly think that—

Senator LAUSCHIE. You are not broadly engaged in what?

Mr. POATS. In detailed concern with both the domestic development and the overseas program. I would think if we had to sacrifice the development of our own underdeveloped areas in order to carry out the foreign aid program that we would be making a mistake.

However, it seems to me that this country has the economic capacity to do both just as we have the capacity to make a number of other expenditures in many other fields, in addition to domestic development programs.

I think it is clearly in our national interests and beneficial to us in economic as well as political and security terms to reduce the kinds of situations in the less-developed world which, over a time, would create a sharp antagonism between the have-not and the have nations. I certainly think it is impossible to ignore the appeal to our own conscience of this disparity.

#### CHARACTERIZATION OF TAIWAN POLITICAL SOCIETY

The CHAIRMAN. Do you consider Taiwan to be a model of a liberal and progressive democratic society?

Mr. POATS. No, sir; I do not. I think—

The CHAIRMAN. You do not?

Mr. POATS. No.

The CHAIRMAN. Then, why do you cite it as a brilliant example of the success of our policy? How would you characterize it?

Mr. POATS. Taiwan has a central government, which is not a model of representative systems, which is still imposed on a province of China, as the government, the Republic of China sees Taiwan, and therefore the national government is not subject to the electoral process in Taiwan. However, beneath that, in the province of Taiwan itself, through the development, elaboration of local institutions like farmers' associations, three co-ops, local district organizations, there is a remarkable development of local autonomy, local elections, a local responsibility for public affairs which has grown in Taiwan, and this is what I meant by my remark.

The CHAIRMAN. Is there freedom of speech in Taiwan? Do they tolerate dissent?

Mr. POATS. They tolerate dissent in a wide array of areas, but not in all. I am speaking now of the press.

The CHAIRMAN. Is it safe to criticize General Chiang Kai-shek in Taiwan?

Mr. POATS. Well, there is certainly no thought police, and that sort of apparatus, if that is what you mean. There is a limitation on the freedom of press in attacking the leadership of the central government; that is correct.

The CHAIRMAN. Is there an opposition party in Taiwan?

Mr. POATS. There are several opposition groups that are in a loose sense contesting for seats in the provincial assembly and provincial local governments.

The CHAIRMAN. But national?

Mr. POATS. Not in the national government because it is not subject to election.

#### U.S. AIMS IN SOUTHEAST ASIA

The CHAIRMAN. You cite this as a great example of our accomplishments; one of the success stories. I wonder sometimes what it is we are fighting for. We say in southeast Asia, in Vietnam, we are fighting for self-determination for the people in South Vietnam. You cite Taiwan as an outstanding example of success, a country where we have spent over \$4 billion, and yet there is no self-determination of the people of Taiwan at all, is there, not in their national government? It is a dictatorship, is it not?

Mr. POATS. At the center and on national affairs, but not on the affairs that affect the lives of the people in most respects. I was saying there is a great deal of freedom developing there. Take the emergence—

The CHAIRMAN. Is not this the same kind of freedom that exists in Russia? As long as you do not question the basic philosophy of the central government, you are quite free to express your opinion on the best way to grow wheat, or how to cultivate a field, or such things as that. There is no restriction on that kind of talk in any of these countries, is there?

Mr. POATS. Well, it is a little freer than that in Taiwan, Mr. Chairman. But I accept your point, we are obviously not—

The CHAIRMAN. What I am trying to get is that we profess that our reason for carrying on the war in Vietnam is the self-determination of South Vietnam, and yet you cite two outstanding and successful countries, Taiwan and Korea, neither of which has self-determination.

Mr. POATS. Mr. Chairman, I would think that Korea is certainly demonstrating remarkable freedom, freedom of the press certainly, freedom of political organizations, certainly. They are about to have an election this next few months for the National Assembly and President.

The CHAIRMAN. Do you think there will be an open and free election for the opposition?

Mr. POATS. I think there was last time, four years ago.

The CHAIRMAN. Please understand that I am not myself taking the position that the only way to run a society is our way. I have often said Mexico is an example of a one-party state that is successful, and I would not for a moment suggest that they adopt our system of government.

What I am trying to get at is what are we really after in southeast Asia. I am not saying that Korea should follow our system or any other system. I am trying to clarify what you think we can achieve by the foreign aid program.

Mr. POATS. Mr. Chairman, we are after, in this respect, a continual expanding opportunity for people and freedom for people, which we think require the complete set of free social institutions. Now, we do not impose that standard, of course, and we are not happy sometimes when that standard is not fully met, but there is a trend, a very encouraging trend, in Taiwan, just as there has been in Korea, in this respect.

The great wealth that is developing in Taiwan now is among Taiwanese businessmen, Taiwanese farmers.

The great development in Korea is very broadly shared. This is the real payoff of a system, in the economic sense.

#### MORE ATTENTION TO DOMESTIC PROGRAMS

The CHAIRMAN. I would not question for a moment that this has been economically good for the individuals of each country. What keeps bothering me is that now, as the cold war—except for southeast Asia—has begun to lessen, the time may come to reevaluate this program and to give attention to domestic needs here in the United States.

You say you see no reason for the curtailment of the programs here. I recognize this is not your responsibility; you have foreign aid to be responsible for. But from my point of view the fact is that they are cutting down most severely on the most elemental programs here, such as water and sewer programs in my State, and I am sure if it is in my State, it is in every other State. I need not tell you that nothing is being done for the conditions of life in our big cities, the pollution of the air, the pollution of the water. There is very little being done, nothing in this city yet except talk about relieving the terrible conditions of traffic congestion and transportation for ordinary people. That does not concern Government officials with chauffeur-driven automobiles, but it does ordinary people who do not have chauffeurs. It is very hard to get to and from your job in this city.

You say there is no reason to make a choice. I say, as a politician, there is a reason because we cannot stretch the money much further. We have a budget now of \$135 billion.

Mr. POATS. My response, Mr. Chairman, is that the total economic assistance budget, AID or Public Law 480, has not been increased sub-

stantially at all. In fact, it is a much lower percentage of the budget, much lower percentage of the GNP and it has not increased arithmetically.

The CHAIRMAN. The military has taken the greatest amount of it. I hope anybody who wishes to intervene will.

Senator LAUSCHE. I have been prompted very much—

The CHAIRMAN. I yield to you.

Senator LAUSCHE. Because some of the information you are eliciting is in complete conflict with positions you have taken with respect to other nations, but I will let you go on as long as you want and I will sit here suffering and listening to you. [Laughter.]

The CHAIRMAN. I do not want you to suffer in any respect. I think this is not the purpose at all.

Senator LAUSCHE. I think we ought to have the ten-minute rule.

The CHAIRMAN. I just want to carry this on. I would be perfectly willing to yield to you at this moment if you wish, or anyone else who wishes to ask questions.

#### ECONOMIC CONDITIONS TODAY ARE DIFFERENT

Here is a man with long experience in this program. I am trying to clarify my views as of the present conditions. I wish to point out that I think the conditions today are entirely different from the time of the Marshall Plan and during the era of Stalin, and when there was a very uncertain stability in Europe. These countries were not able to control even their domestic problems, aside from any external aggression, if it was threatened, as I think it was from time to time.

I would say to the Senator from Ohio that the difference in views, in my point of view, is accounted for by the difference in conditions that have developed over the years.

Senator LAUSCHE. Does the Senator from Arkansas feel that the Government was right when we were aiding Chiang Kai-shek in the initial stages of his fight with communism, and that aid went on until now when it has completely terminated?

Mr. POATS. Economic aid.

Senator LAUSCHE. Economic aid. Were we right when we originally said we were going to stop the Communists from moving southward into Taiwan, Laos, Indonesia, Vietnam, Cambodia, Burma, Thailand? That was the view of President Truman. It was the view of every Secretary of State, every President, that we could not afford to allow them to move on, and that is why we gave certain countries the aid. Were we wrong then? The Senator from Arkansas voted for it.

The CHAIRMAN. You ask a very broad question.

Senator LAUSCHE. It is broad.

The CHAIRMAN. I would be perfectly willing at the proper time to debate that. I think it is very questionable when we look back at the present situation in southeast Asia whether or not it was right—the original intervention in support of Chiang Kai-shek. I think it is a very big question, just as I think our intervention to keep the French in Vietnam is a very big question.

BASIS FOR OUR INTERVENTION IN VIETNAM

But I think that is too far afield for discussion now. I want to conclude my part of this particular matter with one further question. The Secretary of State has stated before this committee previously that one of the reasons that justifies our present military intervention in Vietnam, has been the aid program. You are familiar with that statement?

Mr. POATS. Yes, sir.

The CHAIRMAN. Do you subscribe to that?

Mr. POATS. Mr. Chairman, I have read the record of the statements made by different persons in this controversy, and it has always seemed to me that what the Secretary of State was saying, in sum, was that the principal basis for intervention lay in our mutual security commitments that were represented by the SEATO Alliance, and surely it is clear that we became increasingly interested in Vietnam and provided military and economic assistance there which clearly had a security purpose in substantial part.

So that, from 1954 onward, with the beginning of the independence of the Republic of Vietnam, we were interested in helping that Government defend itself against the threatened resumption of the Viet-minh insurgency.

The CHAIRMAN. Senator Sparkman.

Senator SPARKMAN. I want to ask you just two or three questions.

NATURE OF POSITION OF DEPUTY ADMINISTRATOR

Your work has been primarily in Asia, has it not?

Mr. POATS. That is correct, Senator Sparkman.

Senator SPARKMAN. Will it continue to be in your new job?

Mr. POATS. No, sir. The Deputy's position—

Senator SPARKMAN. When you are Deputy Administrator, you are concerned with the whole field, is it not?

Mr. POATS. That is correct; yes.

PACIFICATION PROGRAM IN VIETNAM

Senator SPARKMAN. How much in terms of dollars are other Asian nations contributing to South Vietnamese pacification efforts this year?

Mr. POATS. I am afraid I cannot answer that in terms of dollars, Senator Sparkman, because some of the contributions are in the form of military aid and some are in the form of military pacification by the Korean and Australian troops, and so on, Philippine elements. We do not have a reliable total, on an annual basis, comparable to our accounting system.

We have, of course, a detailed breakdown of precisely what the 31 countries, I believe it is, are doing in the way of assistance in South Vietnam, which I would be glad to furnish you.

Senator SPARKMAN. How many different countries?

Mr. POATS. Thirty-one.

Senator SPARKMAN. There are 31 countries contributing one way or another to the general effort in South Vietnam, is that right?

Mr. POATS. That is correct, yes, sir.

Senator SPARKMAN. You do not have any line that clearly divides the military and related operations from the pacification program?

Mr. POATS. It is very difficult to divide it in Vietnam, as you know, Senator Sparkman, because military forces are engaged in civil works, and military forces provide the outer security for the revolutionary development teams. Military forces contribute to medical assistance to civilians. It is a very joint effort. But I will be glad to furnish you the statement of the contributions of each country.

(The information referred to follows:)

# FREE WORLD ASSISTANCE TO VIET-NAM (AS OF APRIL 1, 1967)

## FREE WORLD ASSISTANCE PROGRAM

Thirty-one nations have assisted Viet-Nam under the Free World Assistance Program. Several others have offered help. The contributions of six other countries and of the UN are listed at the end of this paper. A detailed listing by geographic area follows:

### FAR EAST

#### *Australia*

Australia is providing a wide and substantial range of aid to Viet-Nam under the Colombo Plan and by direct bilateral assistance.

#### *Military aid* consists of:

1. Approximately 6,300 combat troops including a brigade and support, a guided missile destroyer, and a squadron of 8 Canberra bombers.
2. 100 combat advisors (primarily specialists in jungle warfare).
3. A 73-man air force unit at Vung Tau with six Australian caribou planes which fly daily logistical transport missions in support of Vietnamese military forces.

#### *Economic and technical assistance* has totalled nearly \$10 million including:

1. Three surgical teams, totalling 37 personnel, in 3 provincial hospitals. These teams, in addition to performing major operations, have established a blood bank and are giving lessons in nursing.
2. A group of civil engineers working on water supply and road construction projects.
3. Three experts in dairy and crop practices and radio techniques.
4. Training of 130 Vietnamese in Australia.
5. In goods and materials: 1,250,000 textbooks in Vietnamese for rural schools; 3,300 tons of corrugated roofing for Vietnamese military dependents' housing; 6 large community windmills; 15,750 sets of hand tools; 400 radio sets and 2,400 loud-speakers, 16,000 blankets and 14,000 cases of condensed milk.
6. A 55 kilowatt broadcasting station at Ban Me Thout.

The Australian Government decided on February 1 to increase its nonmilitary aid to Viet-Nam during FY 1967 to \$2 million dollars. This will permit substantial enlargement of current medical and civic action programs and the undertaking of new projects such as providing equipment for refugee resettlement centers.

#### *Republic of China*

The Republic of China has provided:

1. An 80-man agricultural team.
2. An 18-man military psychological warfare team.
3. A 12-man electrical power mission under the leadership of Taipower.
4. A 10-man surgical team.

China has also provided training for more than 200 Vietnamese in Taiwan. In the way of goods and materials, they have provided 26 aluminum prefabricated warehouses, agricultural tools, seeds and fertilizers, 500,000 copies of mathematics textbooks and an electrical power substation.

#### *Japan*

Japan has provided over \$55 million worth of economic assistance to Viet-Nam, chiefly through reparations. Japan has sent two medical teams, considerable amounts of medical goods (4,544 cases), 20,000 transistor radios and 25 ambulances. It has provided technical personnel and funds for the construction of a large power dam across the Da Nhim River and electrical transmission line and



agreed to participate in the construction of a bridge over the Mekong River near Vinh Long.

#### *Korea*

Korea has sent approximately 45,000 troops including:

1. 2 combat divisions.
2. A 130-man Mobile Army Surgical Hospital (MASH).
3. 10 military instructors in Korean karate for training Vietnamese military in hand-to-hand combat.
4. A 2,200-man Task Force Unit composed of the following elements: 1 Army engineer battalion; 2 Headquarters group; 1 Army Transportation company; 1 Marine Corps Engineer company; 1 Infantry battalion; 1 LST and 2 LSMs; 1 Composite Support unit (communications, medical supplies, etc.).

Korean military medical personnel are providing some medical care to the local population in areas where ROK troops are stationed. In addition, 7 civilian medical teams totalling 118 doctors, nurses and support personnel are working in provincial health programs.

#### *Laos*

One million kip (\$4,167) for flood relief in February 1965.

#### *Malaysia*

Since 1962, Malaysia has trained about 2,000 Vietnamese military and police officers. Groups of 30-60 are regularly sent for about a month's training in counterinsurgency with Malaysian Police Special Constabulary. Malaysia has previously provided substantial amounts of counterinsurgency materials, primarily military and police transport such as armored vehicles.

#### *New Zealand*

New Zealand has sent a 6-howitzer artillery battery of approximately 125 men and provided a 25-man army engineer detachment. On March 8 the New Zealand Government announced it will increase its forces to Viet-Nam to 360 men by addition of an infantry company and supporting elements.

In *non-military aid*, New Zealand has sent an 8-man surgical team, and a professor in English language for the University of Saigon. A second 16-man medical team will be sent shortly to Binh Dinh province. They are presently training 62 Vietnamese in New Zealand and have provided 7,500L (\$21,000) for equipment for a technical high school. They are also assisting by providing approximately \$600,000 for a science building at the University of Saigon.

#### *Philippines*

The Philippine Government has sent a 2,000-man military engineering unit with security support personnel, a station hospital, and rural health and civic action teams.

In *non-military aid*, approximately 60 Philippine civic action personnel including military and civilian medical teams have been working in Viet-Nam for several years.

#### *Thailand*

The Thai Government announced on January 3 that it would send a ground force combat unit to Viet-Nam. It is expected that this will total 2,000-2,500 men. A 200-man Thai naval group manning an LST and PGM patrol craft arrived in Viet-Nam in December 1966. A 35-man air force contingent has been flying operational transport missions for the Vietnamese forces. The Thais have also been providing jet training for Vietnamese pilots in Thailand.

In *non-military aid*, the Thais have provided rice for refugees and cement and zinc roofing materials. At the Manila Conference, the Thais offered the Vietnamese a \$20 million rice credit. The Thais have also announced they will send a medical unit to Viet-Nam.

#### MIDDLE EAST

#### *Greece*

Greece has contributed \$15,000 worth of medical supplies.

#### *Iran*

Iran has contributed 1,000 tons of petroleum products to Viet-Nam and has despatched a 20-man medical team to Viet-Nam.

*Turkey*

Turkey has provided medicines and also offered to provide a substantial amount of cement.

EUROPE

*Austria*

Austria has offered to supply medical supplies, blankets, tents, through the Austrian Red Cross.

*Belgium*

Belgium has provided medicines and an ambulance and has given scholarships for 9 Vietnamese to study in Belgium.

*Denmark*

Denmark has provided medical supplies and is training Vietnamese nurses in Denmark.

*Germany*

Personnel in Viet-Nam:

Seven Germans, a director and six instructors, are teaching at the new Vietnamese-German Technical High School at Thu Duc near Saigon. At Hue University there are five Germans: three physicians in the Medical School, a professor of music, a professor of German language, and one expert in forestry is working at the Department of Rural Affairs, Saigon.

A 3,000-ton hospital ship, the "Helgoland" with 8 doctors, 30 other medical personnel and 145 beds is on duty in Viet-Nam.

*Vietnamese in Germany:* Forty Vietnamese are studying in Germany and the Germans have agreed to accept 30 more primarily for training as future instructors in the technical high school. A considerable number have previously been trained.

*Goods and materials:* The Germans have provided the following credits:

(1) DM 15 million (\$3.75 million) for import of German products such as machine tools, fertilizer, etc. The piastre funds generated go to the National Office of the Agricultural Credit to aid farmers, particularly with loans;

(2) a credit of DM 50 million (\$12.5 million) for development of the major industrial complex at An Hoan-Nong Son;

(3) a credit for DM 20 million (\$5 million) for construction of an abattoir at Saigon-Cholon, and three coastal vessels;

(4) a credit of DM 500,000 (\$125,000) for equipment at the Vietnamese-German Technical High School at Thu Duc.

In April 1966, the Germans announced a gift of DM 17.5 million (\$4.4 million) worth of pharmaceuticals, the first shipments of which have arrived. Also in the medical field, they have provided two mobile dental clinics and 30 ambulances for the Ministry of Health.

On June 29, the Cabinet voted DM 25 million (US\$6.25 million) for new aid to Viet-Nam including: (1) sending 25 experts to establish a refugee center; (2) building a home for wayward youths; (3) expansion of 8 social centers and construction of a ninth; (4) establishment of a training center for social workers; and (5) the gift of 100 buses and a maintenance and repair facility in Saigon. The Germans have also donated 260 tons of rice for refugee relief programs.

*Italy*

The Italians have provided a 10-man surgical team and have offered science scholarships to 10 Vietnamese to study in Italy.

*Luxembourg*

Luxembourg has provided plasma and blood transfusion equipment.

*The Netherlands*

The Dutch have undertaken to build 5 tuberculosis centers in Saigon; sites for 3 have been selected. In August, the Netherlands announced a contribution of \$355,000 for a 4-year UN project in social welfare, part of the \$1 million they have earmarked for UN projects in Viet-Nam. In 1964, the Dutch gave antibiotics and 4 scholarships for Vietnamese. They previously provided a dredge.

*Spain*

Spain has provided 800 pounds of medicines, medical equipment and blankets and has sent a 12-man medical team to Viet-Nam.

*United Kingdom*

The United Kingdom has provided six civilians for the British Advisory Mission and a Professor of English at Hue University. Twenty-one Vietnamese are receiving training in the United Kingdom. A pediatric team of four British doctors and six nurses went to Viet-Nam in August, 1966.

In 1963-64, the United Kingdom provided the following goods and materials: Laboratory equipment for Saigon University; a typesetting machine for the Government Printing Office, a cobalt deep-ray therapy unit for the National Cancer Institute; various equipment for the faculties of Medicine, Science and Pharmacy at Saigon University, the Meteorological Service and the Agricultural School at Saigon, and Atomic Research Establishment at Dalat and the Faculty of Education at Hue. In 1965-66, British economic aid totalled £81,000 (\$226,800) for roadbuilding equipment, diesel fishing boat engines, and portable anesthetic machines.

LATIN AMERICA

*Argentina*

Argentina has contributed 5,000 tons of wheat.

*Brazil*

Brazil has sent a substantial quantity of medical supplies which was carried to Viet-Nam by a Brazilian Air Force plane and has also provided coffee.

*Costa Rica*

Costa Rica has contributed an ambulance for use in Viet-Nam.

*Dominican Republic*

Cement has been offered by the Dominican Republic for use in Viet-Nam.

*Ecuador*

Ecuador has sent medical supplies to Viet-Nam.

*Guatemala*

Guatemala has sent 15,000 doses of typhoid-paratyphoid serum for use in Viet-Nam.

*Honduras*

Honduras has contributed drugs and dry goods for refugees in Viet-Nam flown there on a Honduras Air Force plane.

*Uruguay*

Uruguay has contributed \$21,500 for relief supplies and medicines for Viet-Nam.

*Venezuela*

Venezuela has provided 500 tons of rice for refugee relief, and two civilian doctors are working in Viet-Nam.

AFRICA

*Liberia*

A contribution of \$50,000 has been made by Liberia for the purchase of hospital equipment and other medical supplies for Viet-Nam.

*Tunisia*

Recently Tunisia has made available a number of scholarships for Vietnamese.

NORTH AMERICA

*Canada*

Almost \$6 million of development assistance to Viet-Nam has been provided by Canada.

1. Personnel in Viet-Nam: A Canadian Supervisor has been at Quang Ngai supervising construction of a small TB Clinic which the Canadians are funding. The Canadians have sent two doctors and four nurses to staff the clinic. A professor of orthopedics is working at Cho Ray Hospital, Saigon, and there is a Canadian teacher at the University of Hue.

2. Vietnamese in Canada: 380 Colombo Plan trainees and a total of 463 trainees under all programs, including those sponsored by other agencies and third countries (as well as Colombo Plan), have been trained in Canada. There are currently 231 Vietnamese students in Canada.

3. Since 1958, Canada has provided \$850,000 worth of food aid for Viet-Nam. Funds generated by sales are used for capital construction projects in Viet-Nam.

4. A new science building for the medical faculty at the University of Hue is being built costing about \$333,000, drawn from counterpart funds generated by sales of food supplied by Canada. Construction has passed the half-way mark.
5. The Canadians have also agreed to construct an auditorium for the Faculty of Sciences at Hue University which will cost about \$125,000.
6. Canada has increased its aid to South Viet-Nam allocating \$1 million for medical assistance this fiscal year including providing ten 200-bed emergency hospital units. The first two units have arrived and have been installed at Phan Tiet and at Phu Tho near Saigon. A Canadian doctor and technician visited Viet-Nam in the fall to inspect potential sites. Canada has sent 650,000 doses of polio vaccine for Vietnamese school children and offered additional vaccines against polio, TB and smallpox. Consideration is being given to establishment of a children's rehabilitation center in Viet-Nam.
7. Canada is printing half a million copies of a social sciences textbook for Vietnamese grade school children.

## OTHER ASSISTANCE

Six other nations whose help does not fall under the Free World Assistance Program have provided valuable assistance to Vietnam in economic and humanitarian fields.

*France*

Since 1956, France has contributed about \$111 million in assistance to South Viet-Nam.

France has nearly 500 persons serving in South Viet-Nam. Among them are 65 experts under France's program of economic and technical assistance, including 32 physicians, professors and other medical personnel. Under its cultural programs, 471 professors (350 French and 121 Vietnamese) are teaching at 9 French-teaching institutions, and 30 French professors are at Vietnamese institutions. France provided in 1965 for Vietnamese to study in France, 55 fellowships for technical training, and 85 academic fellowships.

France has provided low-interest credits of 100 million francs (20 million dollars) for financing imports of French equipment for Vietnamese industry, a grant of 500,000 francs (\$100,000) for equipment for L'Ecole Nationale d'Ingenieurs des Arts Industriels.

In 1960 France extended a low-interest credit of 70 million francs (\$14 million) to aid construction of the major coal and chemical complex at An Hoa-Nong South of Da Nang which is well underway. It also provides a low-interest, five-year credit of 60 million francs (\$12 million) for construction of Viet-Nam's largest cement-producing complex with plans at Hatien and Thu Duc. In 1964, France provided a 930,000 francs (\$186,000) grant for the installation of a training center for electrical technicians and in 1965 a gift of 1.25 million francs (\$250,000) for teaching equipment, primarily in the medical field.

*Ireland*

The Irish people have contributed £ 1,000 (\$2,800) for Vietnamese flood victims through their Red Cross.

*Israel*

Israel made a gift of pharmaceutical supplies for flood victims and will train this year five Vietnamese in irrigation and animal husbandry.

*Norway*

Norway sent a contribution through the International Red Cross for flood victims in February 1965.

*Pakistan*

Pakistan made a financial contribution for assistance to flood victims and donated clothing for them.

*Switzerland*

The Swiss have provided microscopes for the University of Saigon. The Swiss Red Cross has sent an 11-man medical team through the International Committee of the Red Cross to work in a provincial hospital in the Central Highlands of South Viet-Nam.

*UN System Aid to Viet-Nam*

The United Nations and its specialized agencies are also making a significant contribution to the social and economic development of Vietnam. Under the

Expanded Program of Technical Assistance of the UN Development Program, 15 technical assistance projects are scheduled for 1967 and 1968 at a cost of \$724,475. These projects range across such varied fields as maternal and child health, labor administration, educational planning, telecommunications, meteorology and civil aviation. Among the participating agencies are ILO, FAO, UNESCO, WHO, ICAO, ITU, WMO, and the Department of Economic and Social Affairs of the UN. In addition, UNICEF is lending financial support to a number of programs in the health and child care fields.

Several major projects financed by the Special Fund of the U.N. Development Program are about to get underway. A National Technical Center (total international contribution approximately \$1.5 million), with UNESCO is becoming operational. The Special Fund in January approved a Fisheries Development Project including exploratory and experimental fishing in the waters of the South China Sea, to be executed by FAO at a cost of \$1.3 million. Also being negotiated is a Social Welfare Training Center to be executed by the Bureau of Social Affairs of the UN. ECAFE is pressing ahead with regional projects of benefit to the nations of the Mekong Basin and has undertaken surveys of irrigation, hydro-electric facilities and bridge construction projects in Viet-Nam.

AMOUNT ALLOTTED FOR PACIFICATION PROGRAM

Senator SPARKMAN. In the current fiscal year as the United States is providing Vietnam \$525 million in economic aid, and also Public Law 480 assistance, how much of this will be used for the pacification program?

Mr. POATS. We break down our program into four categories: economic stabilization, war support and relief, revolutionary development and pacification, and long-term development.

The total that we have in the fiscal year 1967 current program for the revolutionary development, which is our general term covering the civil aspects of this pacification, village level nation building, is \$88 million. That does not include some indirect overhead costs of staff, central staff, in Washington, and in the Saigon mission, and so on.

I would say roughly \$100 million plus about, oh, say, \$5 million in Public Law 480 commodities.

I have excluded from that such things as medical assistance. We count that in what we call war support and relief.

Refugee relief is also excluded from those figures.

Senator SPARKMAN. All of this is to civilians?

Mr. POATS. That is correct.

Senator SPARKMAN. The pacification task there is enormous, is it not?

Mr. POATS. It certainly is. It is enormous because of its intensity. We are going down to the hamlet level supporting the Vietnamese local government, village councils, revolutionary development cadre and other work assisting the 4,060 or so hamlets in which this program is operating.

Senator SPARKMAN. Well, because of its size and importance and intensity, the amount of money that is directed to the pacification program seems small to me; \$88 million out of \$525 million is not going to achieve a great success in pacification.

Mr. POATS. Senator Sparkman, I think—

Senator SPARKMAN. Will this tend to step up as you move along?

Mr. POATS. Yes. It has stepped up from about \$50 million last year, and it is about \$101 million, precisely \$101 million in our fiscal budget for 1968.

Let me add, Senator Sparkman, I have excluded, of course, the Vietnamese budget expenditures which are additional to that. This

budget is made possible by our stabilization program, our commercial import program. Without that they would be unable to maintain the pace of budget expansion to support their own people in this work. So the total expenditure is considerably larger than the direct U.S. aid expenditure for revolutionary development of the dollar sum. That is true of our logistic program which provides general support, and a number of our military programs which I have excluded, which are not included in the aid program but which bear on it.

#### CURRENT AID MISSION DIRECTOR

Senator SPARKMAN. Last October before this committee you were asked about the turnover of mission chiefs in Vietnam. In this present turnover in Vietnam, is the AID mission director affected?

Mr. POATS. No, he is not. He is staying on. This is Don McDonald. He has been out there since last fall and I hope he will be there a long time. We have, I think, some stability at the top of the mission. We have a number of senior people in it, from a number of our missions around the world, a number of our best people. We have more stability now than we had in the past.

Senator SPARKMAN. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Carlson.

#### AID PERSONNEL IN VIETNAM

Senator CARLSON. Mr. Poats, you have been discussing the pacification program in our work in Vietnam. How many employees does AID have in Vietnam?

Mr. POATS. Senator Carlson, we have at the present moment about 1,400 regular AID direct-hire personnel and approximately another 400 on contract or borrowed from other government agencies, making a total of about 1,800 Americans; then several hundred third country people such as Thais, Filipinos, Taiwanese, so it is a very large staff.

Senator CARLSON. Of these 1,800, how many are working in the pacification program?

Mr. POATS. About 500 out of these 1,800—no, 500 Americans of the 1,400 are in the pacification or revolutionary development sector of the program and in addition about, nearly 400 are in provincial medical assistance programs which, of course, are supportive to the revolutionary development, psychological human effort in the field.

Senator CARLSON. In other words—

Mr. POATS. Roughly half.

Senator CARLSON (continuing). About half of the people are engaged in this pacification program, half in other fields of endeavor to improve the economic and social conditions of the people of Vietnam?

Mr. POATS. That is correct. A very large number engaged, for example, in the advisory, training and equipment of the civil police forces; a large number engaged in logistics, internal transportation, port operations, airlift, and so on, which are abnormal to an AID program, but essential in a war theater operation; a large number, increasing number, engaged in audit and inspection and control work because of the tremendous diffusion of commodities throughout this country in such a program, and a limited Vietnamese management staff to control it within the Vietnamese Government.

EXPECTED SUCCESS OF PACIFICATION PROGRAM

Senator CARLSON. Now, of course, the pacification program, I think, most of us would agree, is an important program in that area after we get the military situation cleared up. How extensive do you expect this program to be next year? You say you have around 1,800 employees now, probably 500 in the pacification program. What is your estimate for next year?

Mr. POATS. We have a request now which we are working on to add several hundred additional employees by the end of this year. I believe the target is approximately 400 additional, of which well over half, perhaps two-thirds, would be in what we now call the Office of Civil Operations, which is the management system for controlling the AID, USIA, Embassy, CIA and military personnel working on the civil side of the programs of revolutionary development countrywide.

So there is a further expansion required this year. There is an expansion of the area of operation and intensity of it. The R. & D. program plans in each province add up to a target of 1,100 additional villages to be secured up to the minimum criteria; for example, having elected or some form of local government established; elections will be held, as you know, in most of these hamlets and villages this year. They are now beginning to hold. Secondly, to reestablish government services to the hamlets, to have provided local security for it, to be assured of a screen of outer security, and so on.

There is a land reform element in the more elaborate, 11-point criteria of these programs. There are 1,100 such hamlets programmed this year, in addition to the 4,400 listed by the Vietnamese Government on January 1, 1967, as secure.

NO LIMIT TO NUMBER OF AID PERSONNEL IN VIETNAM

Senator CARLSON. There is no limit on the authorization we passed last year as to the number of people you can employ so far as funds for paying the costs of Federal employees were concerned. We permitted the AID agency, without limitation, as I remember it, funds to employ people. In other words, we did not try to limit the number of people you could use.

Mr. POATS. No, sir, but a limit was imposed on the administrative type personnel, a \$5 million ceiling on the use of supporting assistance funds to fund administrative operations.

MILITARY PERSONNEL IN THE PACIFICATION PROGRAM

Senator CARLSON. The people that you have mentioned now working in the pacification program are civilians. What percentage of the military is used in this pacification program?

Mr. POATS. I think the principal use of the military in the pacification program in the narrow sense of revolutionary development, as I have used it, would be those at the district level. There are about, close to, 200 teams composed of four, five, six military personnel, usually a company grade officer and several enlisted men in each district town, so that is roughly 1,000, slightly over 1,000, I believe, military personnel working at the district and to a large extent serving the civil side of the operation.

Senator CARLSON. That would be U.S. military people.

Mr. POATS. U.S. military.

Senator CARLSON. There have been press reports and statements to the effect that the South Korean Army itself was going to be used principally for pacification. What about that?

Mr. POATS. Oh, I see, in that sense the South Vietnamese Army—

Senator CARLSON. I was thinking of United States also.

Mr. POATS. The great problem in achieving a more rapid pace of pacification, revolutionary development, has been the absence of continuous local security for the villages in which this was undertaken.

The relaxation of that security, bringing the Vietcong raiders back into the hamlet, or Vietcong cells back into it, has led to disillusionment on the part of those who have sided with the Government and attempted to carry out this program. So there have been repeated cases of a loss of absolute security and of the maintenance of these criteria.

It was decided last fall by the Vietnamese and United States Governments that a much greater effort should be devoted to providing local security for this village-by-village process.

The Vietnamese Government agreed to assign a much larger portion of its regular military forces as well as its regional and popular forces to this task. They have committed 50 maneuver battalions, which is more than a third of the total Vietnamese Army, to provincial level assignment carrying out explicit screening operations to provide an outer shield of security for the revolutionary development cadre teams, police, and so on, that would provide the inner security in each of these hamlets.

Now, with respect to the U.S. forces and the Korean forces, their principal mission is against the main forces of the North Vietnamese Army and the so-called Vietcong regular units.

However, they do, for example in the Marine area, work a number of special arrangements to team up with local Vietnamese popular forces and regional forces to carry out a program of joint action providing local security. But it is not the best and most efficient use of the foreign troops. It is far more effective that Vietnamese troops, Vietnamese security forces of all sorts, do the job.

#### KOREANS WORKING IN VIETNAM

Senator CARLSON. You mentioned Koreans. We also use large numbers of civilians that are Koreans, not just the military.

There was an article in the paper earlier this year that said Korea was sending 40,000, I believe, civilians to Vietnam to work in connection with the pacification program. I assume we pay those people?

Mr. POATS. Senator, that article was not correct. We have been discussing with the Vietnamese Government and with the Koreans ways in which the Korean civilian talent could be used.

For example, we have now four Korean hospital medical-surgical teams in the country. We would like to get more of that kind of talent, Korean nurses, Korean agricultural people, Korean supply and logistics people.

So there have been some recent discussions between the Korean and the Vietnamese Governments in Seoul, looking to further use of Korean



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specialists where no Vietnamese were available for the particular job. But it will be nothing in the order of 40,000 or anything of that sort.

Senator CARLSON. The only thing I was basing it on was that article.

Mr. POATS. Yes, I saw that.

Senator CARLSON. In view of the fact that 40,000 is incorrect, how many Koreans would you say we are using in the civilian capacity in South Vietnam?

Mr. POATS. So far as AID is concerned, we have contractual arrangements to share the costs of these four medical teams, and we have prospects of several hundred additional, perhaps as many as a thousand additional, over the course of this year, Korean civilians in various jobs in Vietnam.

In addition to that, the U.S. military prime contractor, the RMK-BRJ Consortium, employs Koreans, and I do not know the number, but it is in the thousands; and, further, Korean seamen are employed on shipping and maintenance contracts in Vietnam but not included in the personnel figures that I gave you.

Senator CARLSON. In other words, even if the 40,000 is not correct, there are thousands.

Mr. POATS. Yes, yes; particularly, with the military construction contractors.

Senator CARLSON. That is all, Mr. Chairman.

The CHAIRMAN. The Senator from Ohio.

Senator LAUSCHE. Yes.

#### U.S. AID TO YUGOSLAVIA

Mr. Poats, I do not know whether you are the person who ought to be questioned on this subject, but do you know when we started giving aid to Yugoslavia?

Mr. POATS. No, sir. I am afraid I am completely ignorant on aid to Yugoslavia, except as a newspaper reader.

Senator LAUSCHE. Do you know how much we have given to Yugoslavia?

Mr. POATS. Very substantial in Public Law 480, I am sure, and of course, we had an aid mission there, in the period of the Marshall Plan, I believe.

Senator LAUSCHE. I think it began in 1948 when Tito was supposed to have severed himself from the Comintern, and it is my understanding we have given approximately \$2.5 billion in the aggregate.

What is your understanding about the existence of freedom to vote for candidates of two political parties and the right to attend church in accordance with your own conscience, and other liberties about which we speak? Do they or do they not exist in Yugoslavia?

Mr. POATS. Well, Yugoslavia is certainly a Communist society. It has considerably more personal freedom than some other Communist societies.

Senator LAUSCHE. Did we give aid to Yugoslavia to perpetuate the Communist government or because we believed that it was a part of our defense system to have Yugoslavia torn away from Russia?

Mr. POATS. I believe the rationale has been that Yugoslavia represented a hopeful tendency toward diversity in the Communist world. Yugoslavia's role with respect to the Greek civil war had been con-

structive from our point of view at a certain moment, and that Yugoslavia had tendencies internally which represented some relaxation of the harsh system.

Senator LAUSCHE. Was it because it had a relationship to the security of the United States that we decided to give such liberal aid to that country?

Mr. POATS. I believe, Senator Lausche—and I am sure you appreciate my lack of qualification on this answer—I believe that that was a consideration of the Presidents who successively made that decision.

#### U.S. ACTION IN KOREA

Senator LAUSCHE. Why did we go into Korea?

Mr. POATS. We went into Korea to resist Communist aggression in a very blatant form and to demonstrate the validity of the United Nations proposition that such small countries would not be the victims of external aggression.

Senator LAUSCHE. Why should we have worried if the Communists took over South Korea back in 1950?

Mr. POATS. I think our principal reason for concern was a desire to maintain the whole system for the preservation of peace; that if it were allowed to be broken in that flagrant way in Korea then the next country and the next opportunity would be easier, and there would be no resistance, and it needed to be demonstrated that the international organization for peace had meaning and teeth.

Senator LAUSCHE. While we were still in Korea, President Eisenhower made the statement:

Aggression in Korea and in southeast Asia are threats to the whole free community to be met by united action.

Is it your understanding that that has been the thinking not only of Eisenhower but also of Kennedy and Johnson?

Mr. POATS. I think that is right, Senator Lausche.

Senator LAUSCHE. In 1954 the Geneva accords were signed, fragmentizing Indochina. Following the signing of the Geneva accords, the SEATO Treaty was executed, which you mentioned a moment ago.

#### COLLECTIVE SECURITY

Did the SEATO Treaty contain a provision that an attack upon any one of the members of the SEATO organization would be deemed to be a challenge to the security of the other signatory nations?

Mr. POATS. That is approximately correct, as I understand it, sir. Of course, the countries of Vietnam, which were Indochina, were covered in a protocol and were not members of SEATO, but were offered the protective umbrella of SEATO if required.

Senator LAUSCHE. Well now, I will read article 2 of SEATO. [Reading:]

In order more effectively to achieve the objectives of this Treaty, the parties separately and jointly, by means of continuous and effective self-help and mutual aid will maintain and develop their individual and collective capacity to resist armed attack and to prevent and counter subversive activities directed from without against their territorial integrity and political stability.

Do you know whether or not the following treaties contained provisions declaring that a challenge to the security of a particular nation that is a signatory to the treaty would be deemed a challenge to the security of all the signatories, first, the treaty with Japan? Are you familiar with it?

Mr. POATS. Yes; I think that is correct.

Senator LAUSCHE. The treaty with Australia and New Zealand know as ANZUS?

Mr. POATS. The same pattern there.

Senator LAUSCHE. The Korean settlement?

Mr. POATS. Yes; I believe so. Of course, there is a wider understanding in the case of Korea with the United Nations.

Senator LAUSCHE. SEATO, of course, we understand it does.

Mr. POATS. Yes.

Senator LAUSCHE. There are others.

#### CHANGES IN COMMUNISM SINCE THE DEATH OF STALIN

Now then, do you recall when Stalin died?

Mr. POATS. March 1953.

Senator LAUSCHE. 1953.

In your opinion has there been a change since Stalin's death that would have justified a change in the general attitude of the United States with respect to threats from southeast Asia?

Mr. POATS. Senator Lausche, you appreciate this is entirely a personal opinion beyond the competence of my present position.

It seems to me that there have been, from whatever source affecting the local Communist movements, continued pressure for expansion of Communist domain throughout the southeast Asian area.

Now, this pressure has been said to be more risk taking on the part of the Chinese leadership, Communist leadership, than on the part of the Soviets.

I think there is a great deal of evidence to support the view that the Soviet leadership is more conscious of the wider issues and dangers of international war than has been evident on the part of the Chinese, but both obviously seek to further these local wars of liberation.

The Soviets are capable of greater flexibility and adjustment to particular interests, and particular circumstances as in Laos, for example, where they, by their action, made possible the establishment of a neutral government there, and on several occasions have seen fit to dampen down what might otherwise have been a greater explosion.

Senator LAUSCHE. Are you familiar with the fact that when Kennedy became President we had 600 advisers in South Vietnam, and on the day of his death there were 19,000 or 20,000 troops?

Mr. POATS. Yes; that is right.

Senator LAUSCHE. Can that reasonably be interpreted to mean that he felt an apprehension about South Vietnam being taken over by the Communists?

Mr. POATS. Well, I think he was quite frequently on the record on this subject, Senator Lausche. He certainly was concerned about it. I cannot draw any conclusions from that as to what he would have done in particular circumstances.

CHARGE OF MISMANAGEMENT OF AID PROGRAM IN VIETNAM

Senator LAUSCHE. Now then, there have been stories about mismanagement of the aid program in South Korea. What is your position now?

Mr. POATS. Assistant Administrator of Aid for the Far East, which includes the area from Burma around Indonesia, Vietnam, Thailand, Laos, the Philippines, Korea.

Senator LAUSCHE. Where is your office, here in Washington?

Mr. POATS. In Washington.

Senator LAUSCHE. It has been charged that there has been gross mismanagement of the aid program in Vietnam. What answer do you give to that charge?

Mr. POATS. I find it difficult to answer a charge that broad, Senator Lausche. There certainly have been instances of wasteful expenditures. There have been false starts, there have been projects which were undertaken only to be overwhelmed by political changes in Vietnam, or by the tide of war.

There have been activities undertaken in haste when, as I said initially, we did not or felt we could not, wait for the establishment of an adequate aid administrative structure in Vietnam.

There have been problems in recruiting the control and specialized staff for such things as monitoring particular commodities in our commercial import program and guarding against abuses or irregularities or frivolous procurement, bearing in mind, if you will, that over 150,000 different commodities are financed by aid for the Vietnam programs.

It has been difficult to get experts in enough fields to properly police the procurement specifications, the shipping schedules, and so on. But we have made an enormous effort to reduce these problems. We are not satisfied with waste. We do not want to hide behind the alibi that there is a war on so that waste is acceptable.

We do not take that position.

But we have had to make some tough choices from time to time in the need to get the job done.

DIVERSION OF GOODS

Senator LAUSCHE. Mr. Fred S. Hoffman and Mr. Hugh Mulligan have written columns in which they have stated that indications are that much food, lumber, medicine, and fertilizer never reach the poor, but go to enrich provincial and district officials.

If that has happened, will you describe why, and what is being done to stop it?

Mr. POATS. Yes, it has happened in several instances that I know of. We have tried to stop it by increasing the strength of our own, and of the Vietnamese Government's commodity management staffs in the provinces by establishing a uniform system of accountability, of documentation for the shipment of goods from, for example, the Saigon warehouse to the regional warehouse, to the provincial warehouse, to the village.

We have worked out arrangements for a sample audit of these transactions so as to minimize diversion. We have put our own people

GENERALIZATION OF RUTHERFORD M. POATS

on the movement of goods right down to riding shotgun, as it were, on some medical supplies, for example.

But there have been occasions when a local official would divert cement or other building materials, for example, to a friend, a cousin, or to a person he sympathized with because his house had been destroyed by the fighting, or whatever. These are, in some cases, understandable, but not condonable types of corruption. In some cases, they are outrageous.

We think that, on the whole, the losses from this sort of theft and diversion were in the order of 5 to 6 percent of the commodities in the program in the latter part of last year, and that is terribly high. But given the circumstances, it is, when you see the number of hands, the number of movements, the limited control, the degree to which this is handled by people who are not regular employees of any government, it is at least understandable to those on the ground.

We think we are reducing this by a number of measures, the great increase in the security controls in the Saigon port, our police and their police; a great increase in the customs management.

Senator LAUSCHE. I assume this subject has been generally discussed with your superiors in the Department of State?

Mr. POATS. Yes, indeed, and the Administrator of AID.

Senator LAUSCHE. Has it been taken up with the President of the United States, as far as you know?

Mr. POATS. It has, indeed. The Administrator of AID, Mr. Gaud, submitted a full report on this to the President in January.

Senator LAUSCHE. Were you called into the White House for the purpose of discussing it with any of the aides?

Mr. POATS. Oh, yes, many times. In fact, the White House staff has been very interested in the subject and has participated in working out some measures to reduce it.

Senator LAUSCHE. You are familiar with these articles that I have just mentioned to you?

Mr. POATS. Yes. Those articles had an element of truth in the sense that the particulars they described were in many cases accurate. I think the sum total, the summary lead sentences and headlines, and so on, from them were a very serious distortion.

#### CRITICISM OF AUDIT PROCEDURES

Senator LAUSCHE. The General Accounting Office criticized the administration in some respects. Has that been discussed with the White House?

Mr. POATS. The General Accounting Office made a brief report on the audit procedures, audit staffing, accounting of our mission in Vietnam, and is in the process of preparing a second report on the commercial import program. I do not know whether they have been discussed with the White House or not.

Senator LAUSCHE. In the face of criticism that has been directed at the general administration of the program and impliedly or maybe directly, at you, the President has nominated you for a superior post?

Mr. POATS. That is correct.

NEWS ARTICLES REGARDING PENDING NOMINATION

Senator LAUSCHE. I have here, an editorial in the Washington Post commending the nomination. It states, among other things:

"Confronted with the possibility of a noisy floor fight, the President could have taken the easy way out by quietly scuttling Poats."

Did you read that?

Mr. POATS. Yes, sir; I did. I was glad to read on. [Laughter.]

Senator LAUSCHE. "To his credit, however, he"—that is, the President—"has indicated this week that he will stand by the nomination."

I also have here an article written by Mr. John Maffre under the title, "Renaming of Poats to AID Is Expected."

Mr. Chairman, I ask unanimous consent that both these articles be printed in the record.

The CHAIRMAN. Without objection.

(The articles referred to follow:)

[From the Washington Post, February 4, 1967]

RENAMING OF POATS TO AID IS EXPECTED

(By John Maffre)

The Administration is testing the Senate ice before it skates forward with a second try at nominating Rutherford M. Poats to be the Deputy Director of the Agency for International Development.

Since Congress reconvened, there have been probing phone calls and visits to Sen. Birch Bayh (D-Ind.), whose criticism of how the AID program in Vietnam has been run led him to block Senate confirmation of Poats in the dying hours of the 89th Congress.

So far, Bayh has remained adamant in his quarrel with Poats's ability to administer the program, although an aide said he is "not taking lightly" the expressions of high regard for Poats that have been beamed to his Senate office.

The State Department, AID itself and the White House make it clear that they regard Poats as the man for the job.

AID officials have spent the last week scurrying about Senate offices lining up supports for Poats. They are prepared to send a memorandum to the White House recommending the President resubmit Poats' nomination.

Poats's nomination was approved by the Foreign Relations Committee last fall, but Bayh insisted on the Senate floor that the nomination be reconsidered in January.

Bayh, whose political antennas are sensitive to the steel community in his State, won his campaign last year to reinstate a rule that 90 per cent of AID steel products used in Vietnam come from U.S. sources or from a handful of developing nations designated by Washington. But his staff maintains that he is not carrying on a personal vendetta against Poats.

The Senator felt that Poats was lacking in candor last year when Congress wanted details on AID's auditing and inspection of the Vietnam program. He feels that this complaint was supported later by critical reports from the General Accounting Office from a House subcommittee headed by Rep. John E. Moss (D-Alaska).

Although the hassle over Poats's future has stalled a major reorganization that would set up a separate AID Vietnam Bureau, the Agency has managed to fill one high level post—that of Information Director—that had been empty since August.

Charles E. Bosley, 40, a one-time newsman in California who served as administrative assistant to the late Sen. Clair Engle (D-Calif.), has been named to the \$25,890 post. He succeeds Michael Moynihan, who left to become director of public affairs for the Port of New York Authority.

For weeks, AID planners have been refining plans to lift the huge Vietnam program from the Bureau for Far East and set it up as a separate operation, the first time the Agency has built a bureau around a program in a single country.

The expectation is that the older division would be renamed Bureau of East Asian and Pacific Affairs to conform with State Department style.

The names of most members of the new bureau—upwards of 75 staff members—have been selected, but a chief has not been picked, pending a resolution of Director William S. Gaud's problem in confirming a deputy. Persons close to Bayh said that he could hardly be agreeable to Poats's heading the new Vietnam bureau any more than his being the No. 2 man at AID.

[From the Washington Post, Feb. 28, 1967]

#### AID APPOINTEE

During the preadjournment rush last November Congress decided to delay the confirmation of Rutherford Poats as the new deputy director of the Agency for International Development. Sen. Birch Bayh (D-Ind.) blocked unanimous consent to the nomination and issued a broadside charging that Poats had been responsible for the "mismanagement of the aid program in Vietnam" during his tenure as Far East regional director of AID. Confronted with the possibility of a noisy floor fight, the President could have taken the easy way out by quietly scuttling Poats. To his credit, however, he has indicated this week that he will stand by the nomination.

Although Congress has reason to cast a searching eye at the administration of the vast economic aid effort in Vietnam, as the Moss Committee demonstrated, the weaknesses in the program cannot in fairness be attributed to a single individual. They reflect problems endemic to a war emergency. What is perhaps most relevant in this case is that Poats has responded constructively and promptly to congressional criticisms. He has tightened up the complex commodity import program by instituting an automated accounting system for import arrivals, stationing U.S. logistics advisers in provincial warehouses and doubling the number of AID auditors in Saigon.

Senator Bayh has made no secret of the fact that his opposition to Poats is in large part a legacy of their conflict over the recently enacted Bayh amendment to the aid bill. As a restrictive, "Buy American" provision designed principally to counter U.S. procurement in Japan and Korea, the amendment was vigorously opposed by AID. But it should be remembered that opposition to the amendment was hardly the isolated invention of the aid agency. The White House and the State Department had political, Vietnam-related reasons of their own for wanting to channel aid spending to Korea and Japan.

Poats should not be victimized for his role in implementing what was a broadly based Administration policy. His administrative record during five years at AID is a solid one, and his appointment should go forward.

Mr. POATS. Senator Lausche, may I add along this line of inquiry, the letter which the Chairman submitted for the record, one of these letters, was from Congressman Moss, chairman of the Foreign Operations and Information Subcommittee of the House.

His committee and staff have been continually examining the administration and management of the aid program in Vietnam since February, 1966, with a series of field trips by staff and with testimony in Washington.

That letter, as the Chairman said, seeks to make clear that his criticism of the aid program is not intended to be a reflection against my particular competence or any suggestion that I should not be given this position.

Senator LAUSCHE. We have had trouble along this line in Vietnam, I think, as far back as 1959 when a newspaperman made a visit to South Vietnam and came back and wrote a series of stories that we then investigated.

Thank you very much, Mr. Chairman, for allowing me to ask these questions.

The CHAIRMAN. You are welcome.

ROLE OF CIA IN THE PACIFICATION PROGRAM

Mr. Poats, you mentioned one thing in your comments that aroused my interest a bit. You mentioned, I believe, in answer to a question of Senator Carlson, that the CIA performs a function in the pacification program.

Mr. POATS. Yes.

The CHAIRMAN. What role do they play?

Mr. POATS. The CIA initially helped some province chiefs develop a group called the Political Action Teams, which were the forerunner of the present revolutionary development cadre teams.

The CIA continued to provide some staff to assist in the instruction and advice to these revolutionary development cadre teams. They are in that function a part of the Office of Civil Operations of the U.S. Mission in Vietnam reporting to Deputy Ambassador Porter.

The CHAIRMAN. How many people do they have in the training of these cadres at present?

Mr. POATS. I think all together around 80, counting field advisers.

The CHAIRMAN. Do you know how much they are spending on this program in Vietnam?

Mr. POATS. It is quite large, Mr. Chairman, because they are providing direct assistance to the RD Cadre.

The CHAIRMAN. That is in addition to the other items you mentioned?

Mr. POATS. That is correct.

The CHAIRMAN. You do not wish to venture an amount?

Mr. POATS. I think the figure last year was, perhaps, \$20 million, but I am really not sure, Mr. Chairman.

SOURCE OF AID MISMANAGEMENT ACCORDING TO MOSS REPORT

The CHAIRMAN. With regard to the Moss report, if it does not reflect upon you, whom does it reflect upon?

Mr. POATS. Well, I think, of course, any criticism of the management of the aid program in Vietnam has to be a reflection on me. I simply was citing the statement made by Chairman Moss.

The prime responsibility for the management of the aid program in Vietnam flows from the Administrator of AID through me to the AID mission director, and I have been actively concerned with it for three years, and, of course, have considerable responsibility for what happens.

The CHAIRMAN. Since it did not reflect upon you, would it be Mr. Gaud who is responsible?

Mr. POATS. Well, I think it is a reflection on the work of the agency as a whole. But I have never thought to shirk prime responsibility and have testified before the Moss committee and other investigative groups regularly on this matter, and take it as my function to deal with these problems of poor management, and there have been a number of them.

This is regrettable. I think it is understandable to those who have been close to the operation.

The CHAIRMAN. I would not, of course, be able to speak about that, but Mr. Moss was very critical. Since the matter was brought up I wondered whom he was criticizing.



Mr. POATS. Well, the Moss committee dealt primarily with the commercial import program in Vietnam, and the degree of accountability for the goods imported by AID, in the absence of sufficient audit, in its judgment, and took issue with the system of market determinants in commercial import financing.

These questions, they felt, affected the work, the performance of all of us who were responsible, including those who were recruiting the personnel, those who were manning the AID mission, and those running the audit branch, the comptroller branch of the mission.

The CHAIRMAN. Thank you very much.

Mr. POATS. Thank you.

The CHAIRMAN. Senator Birch Bayh, of Indiana, has requested to have an opportunity to testify.

Senator Bayh, would you come forward, please.

**STATEMENT OF HON. BIRCH BAYH, A U.S. SENATOR FROM THE  
STATE OF INDIANA**

Senator BAYH. Thank you, Mr. Chairman.

Could I ask that I be joined by a couple of my staff members, Mr. James Muldoon and Mr. Robert Keefe?

The CHAIRMAN. Yes.

Senator BAYH. Mr. Chairman, it is certainly kind of the committee and you, as Chairman, to ask us to present our testimony this morning.

I must say that I testify with considerable reluctance, and only after a great deal of soul-searching. The Chairman knows much better than I that quite often before any legislative body reaches decisions, there is a great deal of vigorous dissent over programs and facts and philosophy and issues. All of this is done without resorting to personal attack or invective.

But today the nature of this hearing is not to determine the advantages or disadvantages of a particular issue. Unavoidably, we are forced to consider the qualifications of an individual—the merits, the qualifications of a nominee.

This is my first experience, in my five years in the Senate, and eight years in the Indiana Legislature, that I have ever been confronted with making a determination of this nature, where I felt compelled to speak out. Frankly, this troubling experience has been compounded by the fact that some individuals whose judgment I respect have spoken highly of the nominee.

I am well aware of the criticism that has been directed at me by some members of the press because of my opposition to the nominee. Senator Lausche referred to the Washington Post's editorial. I recently read an article by Carl Rowan, whom I respect, who pointed out that whenever we have real troubles, in an agency or department, there is a tendency on the part of Congress to get the scalp of one of the bureaucrats to hang as a trophy, so to speak.

**OPPOSITION TO NOMINATION**

I do not feel this way, Mr. Chairman. I regret very much having to be here. But after giving this matter much reflection, I have decided to appear here to oppose the confirmation of Mr. Poats, and to urge the committee to use its influence in this matter.

I want to make it very clear, I am not opposed to Mr. Poats for what he is or who he is. I am willing to concede that he has done his best. I do not question his intentions or his motives. I question only his ability to do the job for which he is recommended today. Sometimes, Mr. Chairman, all the good intentions in the world are not enough to accomplish a very difficult task. As I see it, there is only one reason for my being here, and that is my very strong feeling that we can find a better qualified man to do a very difficult job.

I have here voluminous materials from which my statement was prepared. There is a report that has been prepared on the Saigon port and other facilities; the Moss committee report, which is perhaps the most extensive congressional analysis of the Vietnam aid problem; a report prepared by AID itself; a GAO report; and a number of newspaper articles. I have tried, Mr. Chairman, to take excerpts from those reports to conserve the committee's time.

I could spend all day going through these and similar reports, and I would like to ask the committee's indulgence to hearing prepared testimony in full because I do not want to be taken out of context. I have tried to compile the significant facts to simplify the work of the committee.

One document is still classified, and it took us some doing to even get access to it, so I would like to maintain control over these reports until the committee asks for them so that I won't violate any ethics with AID. I just want to point out that they are available. The AID report, which is primarily on shipping and the port tieup there, the Moss committee report, and the GAO report all are available for the committee's perusal.

There are others. The Herter report is another one that we looked at. I am sure that the Chairman, Senator Lausche, and the committee are familiar with these.

#### OBJECTION BASED ON NOMINEE'S PAST EXPERIENCE

The committee is being asked to send to the Senate for its concurrence, the name of Mr. Poats to become second in command of the \$3-billion-a-year aid program.

It is being asked to approve this appointment on the basis of the nominee's past experience.

Mr. Chairman, it is precisely on this point, namely, the nominee's past performance, that my objection and opposition to this appointment are based.

For the past three years, the nominee has held the position of Assistant Administrator for the Far East of the Agency for International Development. Chief among his responsibilities during this time has been the conduct of our extensive and crucially vital foreign aid program to Vietnam—a program costing the people of this nation about \$720 million this year, if you include Public Law 480 funds; or, to put it another way, about \$2 million each and every day of the year.

This committee does not have to be told about the importance of our aid program to the total effort of the United States in Vietnam. Although some of my colleagues on this committee may hold different views from my own on the military presence of the United States in that unhappy land, certainly most of us are in general accord on the goals of our aid program there.

Call it aid, rehabilitation, development, pacification or what you will, the fact remains that we are pouring American dollars into Vietnam for the purpose of developing a lasting, meaningful, and effective peace.

All of us, I think, are acutely aware that a military victory in Vietnam, or successful negotiations to terminate hostilities there, will be meaningless unless we can secure a meaningful peace. This, in my opinion, can best be achieved by doing our part to strengthen the Vietnamese economy, by helping to provide better educational opportunity, by encouraging equitable land distribution, and by providing the technical assistance wherever necessary to bring about greater general abundance.

This, then, is our common goal—the goal for which we are spending \$2 million a day, or one-fourth of our entire foreign aid effort throughout the world. The nominee has been directly responsible for obtaining these goals.

Senator LAUSCHE. Mr. Chairman, at this point, may I put a question?

The CHAIRMAN. Yes.

Senator LAUSCHE. Are you subscribing to the general principle that we should provide aid, but your complaint is directed mainly at the maladministration of the program?

#### MALADMINISTRATION OF AID PROGRAM IN VIETNAM

Senator BAYH. Yes, sir; that is correct, Senator Lausche.

We can debate and argue both sides of what AID's responsibility was in getting in there, and whether we should have gotten in, and what our military impact is. But I think we are after more than a military victory. We are trying to get an economy, a political structure that will hold up; one we can look to with some pride, we hope, in the not too distant future.

Hard as it may sound, Mr. Chairman, I submit to this committee that whatever progress we have made toward these goals has not resulted from the nominee's performance, but in spite of it.

His efforts, although I admit they are well intentioned, have been below the standards for the job, and certainly for the job for which he has been nominated.

I submit to this committee that the American aid program in Vietnam, under the jurisdiction of the nominee, has been the most grossly mismanaged program in the history of American foreign aid.

And this is not Birch Bayh, the Senator from Indiana, speaking. These are from reports, from documentation, provided by several reporters who have gone out there and who have dug—all of this substantiates what I am saying. You can go through these, and time and time again you get to the place where I think even the most casual observer, even the nominee, even AID, will recognize the fact that they have got real problems on their hands.

The question is whether they want to blame these problems on someone else.

I submit to the committee that the administration of this program has not only failed to complement and temper the fact of our military presence in Vietnam, but may well have aggravated the struggle there and made realization of a final and lasting peace more difficult. In my judgment, had the building job of AID been done properly the

destruction of war might well have been avoided or greatly lessened if we had attended to some of these problems before becoming the conflagration we now see.

#### EXAMPLES OF CHAOTIC CONDITIONS IN AID PROGRAM

I would like at this time, Mr. Chairman, to cite some specific examples of the chaotic conditions which have existed in our Vietnam aid program in the past three years and, in too many instances, which still exist today. I will confine these examples to conditions over which the nominee had jurisdiction and for which he is directly responsible. To conserve the committee's time, I will submit data here. You may have it, any way you see fit, Mr. Chairman. I certainly do not say, I certainly do not intend to say, that I know more about this than the committee, because you have been working at it long and hard. I just want to try to focus some attention on the problems that may have gone unnoticed.

These have not been concocted by me. They are in these reports. One is by a congressional committee; another one is an AID report itself; a third one had been contracted by AID, which is very critical, and in which AID contends the man was unqualified after he submitted it because of the critique that he leveled on them; and the fourth one is a Government Accounting Office report.

To begin with, the House Subcommittee on Foreign Operations and Government Information, which I shall refer to as the Moss committee, reported last October that:

The U.S. economic assistance program (in Vietnam) has mushroomed enormously in the last year and vast resources have been utilized without the kind of planning that should have been dictated by simple considerations of efficiency and economy. Certain programs, such as commodity imports, have been expanded without being carefully thought out in advance and without the setting of clear priorities \* \* \* Unfortunately, AID did not learn from its worldwide experience of the past 20 years in conceiving and executing much of its program for Vietnam.

To further support this general finding, I quote from a series of articles by Associated Press staff writers Fred S. Hoffman and Hugh A. Mulligan—a series published widely last November.

After an on-the-scene analysis of the Vietnam aid program they write that—

The United States probably will never know how much of its goods has been stolen, how much of its supplies, materials, foodstuffs and direct financial aid has been misused in Vietnam. Until recently, record-keeping was haphazard or nonexistent. Audits now getting underway are concerned with the present—

As I think they should be—

and the future, not the past \* \* \* There are no real American controls, for example, on rice imports paid for in American dollars. There are only occasional spot checks once the bags clear the customs house. Indications are that much food, lumber, medicines and fertilizers never reach the poor, but go to enrich provincial and district officials. Some items reach the Viet Cong \* \* \* At Ba Hao, 50 miles from Saigon, the U.S. 196th Light Infantry Brigade recently captured a Viet Cong camp and uncovered a big hoard of goods mostly stolen or diverted from U.S. economic aid supplies. There were more than a million and a quarter pounds of AID rice, 440 gallons of gasoline, 600 gallons of cooking oil, 88 shovels, 750 pounds of salt. The bags of rice, enough to feed a Viet Cong division for two months, still bore the names of the American exporters—

Mr. Chairman, the article continues—

Ships go astray. Barges disappear. Trucks never reach their destinations. A school house roof winds up on some minor official's chicken coop \* \* \* The AID agency has been under the searching eye of the U.S. Government's tough General Accounting Office. GAO examined U.S. operations and, reporting to Congress in August, quoted officials of the AID mission (in Saigon) as saying the South Vietnamese Government lacked "sufficient qualified personnel" to manage the important commercial import program, that the mission staff was inadequate—and that "controls must be sacrificed in order to keep the program running." GAO would not accept this.

#### MOSS COMMITTEE REPORT CRITICISMS

According to the Moss committee, these consumer goods provided by the United States under the commercial import program, and comprising about 70 percent of our nonmilitary aid to Vietnam, were being pumped into the country, and the Moss committee outlined five specific areas of fault, and I enumerate them briefly:

"(a) Goods were coming in without any determination as to whether the quantities imported were excessive and could be properly and efficiently absorbed into the Vietnamese economy," and this AID report, done by the agency itself, its official did itself, alludes to the problem of port facilities, saying that the port facilities should be able to handle six million tons per year. Yet in the study it points out that prior to the expenditure of all the funds by AID to build up the port facilities and make them efficient, prior to this time, that the capacity of the port was 2,000 tons per day per ship, but now with the management that is presently going on the capacity is 500 tons a day per ship.

The second area of criticism of the Moss committee was that the goods are coming in "without any determination as to whether certain types and grades of commodities were luxurious under current conditions in Vietnam."

My staff was looking through some material and I ran across some Small Business Administration procurement memos, in which they were asking for bids for this country, and I was a bit surprised as they were, to learn that one of the items one day was for 8 million pink bathtub stoppers; and the following day another Small Business Administration memo asked for 1,000 metric tons of talcum powder.

Perhaps the bathtub stoppers and talcum powder are important in Vietnam, but I wonder—the Chairman asked about priorities on the overall aid program to Vietnam priorities—I think it is important to look at the goods that come under our aid authorization.

The third criticism of the Moss committee was that the goods come in, "without any determination as to whether the commodities programed were likely to be hoarded, diverted, or used for purposes incompatible with U.S. objectives."

One product coming in was Unicel 100, which was a product being used for the production of rubber. Du Pont, which was selling this to AID, became increasingly worried because of the quantities of Unicel 100 that were being ordered were entirely too great for the amount of rubber production that was going on.

Well, incidentally, after three months it finally got turned off by AID because in an investigation that was made they found that Unicel

100 had explosive power equal to or greater than TNT, and we do not know where all the Unicel 100 went.

Silver nitrate was another commodity that came into the country in 1965. There was \$1.3 million worth of silver nitrate used for the backs of mirrors and for medication, putting it into baby's eyes, and this sort of thing. It was terminated finally when AID was convinced that the silver nitrate was being put through a process where the silver was being used as coinage in the black market and the nitrate was being used for explosive power. I could go on and on, with these kinds of examples.

But the fourth area of criticism by the Moss committee was that the goods were being brought in "without any determination as to the quantity of stocks on hand and in the supply pipelines, and," the Moss committee points out there has been no auditing since 1961, I think, despite all the pilferage involved.

The fifth and last area definitely outlined by the Moss committee said the goods were coming in "without verification and adequate surveillance of the use made of commodities previously delivered under the (commercial import program)."

One commodity we are importing into the country is thin tin, tin stock, the primary purpose for which is to help the canning industry of Vietnam. It is important to keep the foodstuffs from perishing. Yet a surprisingly large part of this has gotten into the commercial market where fancy tin footlockers are being made by the merchants for sale to GI's.

It is incorrect to suggest, Mr. Chairman, that these deplorable conditions were new revelations promptly acted upon once they were discovered. This is the inference that has been made. Mr. Poats may have suggested this in his statement of July 19, 1966, which is contained in the Moss committee report when he said, and I quote from the report:

No question about it, this program needed a great deal more management—we feel very uncomfortable with the absence of knowledge in trying to run this program.

This is a very worthwhile feeling. But, Mr. Chairman, I feel very uncomfortable that corrective steps were begun only after public exposure by the Moss committee during their trip to Vietnam in May 1966. For it was in July 1964, almost two years earlier, that the General Accounting Office reported on inadequate policies and practices in financing commercial imports and in the administration of other financial elements of our aid program to Vietnam.

#### COMMERCIAL IMPORT PROGRAM

The GAO reported on profiteering, overpricing, and the import of nonessential commodities under the commercial import program. GAO further reported on the imprudent use of foreign exchange for luxury goods by the Government of Vietnam; and on other problems which had prevailed as far back as 1955. The Moss committee reported, and I quote from the Moss report again, "since the GAO study was completed,"—and this was back in 1964, July of 1964, two years before the Poats' statement before the Moss subcommittee—"since the GAO study was completed, other studies have been made by officials

of AID and the Treasury Department and the same—Mr. Chairman, underlining—

the same deficiencies have been identified repeatedly. As a result, sweeping changes have been recommended on numerous occasions. It was not until the subcommittee initiated its investigation, however, that AID took aggressive action to implement such changes.

Reacting to the Moss committee report, AID Administrator William S. Gaud was quoted on October 15, 1966, in the Christian Science Monitor as saying:

This program \* \* \* has had to face many difficult administrative problems. But it has accomplished its purpose: to check runaway inflation which would have ruined South Vietnam's economy and jeopardized the successful pursuit of our civilian and military efforts.

Certainly, inflation was important, inflation is still important, in the battle of Vietnam. But, Mr. Chairman, pray tell, how could the almost total absence of planning control leading to the loss and diversion of hundreds of millions of dollars worth of American aid contribute to the control of inflation?

Says the Moss committee in the same area, and I quote:

\* \* \* the underlying philosophy (of AID) was to flood the Vietnamese markets with enough AID commodities to "sop up" the excess local currency. In spite of AID's philosophy, inflation soared. Prices almost doubled in 1965 and increased another 50 percent in 1966. Moreover, the AID mission in Vietnam had neither the management tools nor the personnel to administer an effective commodity import program \* \* \*. The Subcommittee concluded \* \* \* that the manner in which the import program was being administered by the AID mission was contrary to sound management practices in Government operations, and was contributing to, rather than preventing, widespread abuses.

Again, and again, the AID response to such findings has been defensive rather than constructive. The Christian Science Monitor reported in October 1966, that "AID officials"—despite what the nominee said, perhaps he is not aware of this, but certainly others have found it—that "AID officials always maintained one excuse: 'There's a war on, therefore controls are not practical.'"

#### ASSOCIATED PRESS REPORTS

The Associated Press reporting team of Hoffman and Mulligan wrote last November:

Public administration advisers (in Vietnam) were told in an official hand-out, "Re side losses: graft, payroll padding, wasteful local purchasing from preferred contractors, favoritism; you must tolerate a certain amount of this. Do not let your morals get in the way of project operations. Remember you never can prove it exists so you might as well tolerate it in reasonable amounts."

This self-defeating and, in my judgment, unconscionable attitude inevitably results in precisely the opposite effect on Vietnamese villagers than the effect, the attitude we are spending millions to create, the attitude we have been trying to create in those people. Hoffman and Mulligan reported, for example, that half of 400 bags of U.S.-supplied cement—earmarked to build a school in a province north of Saigon—vanished. The reporters wrote:

U.S. officials couldn't pry a plausible explanation from the Chan Thanh district chief, to whom the 200 missing bags were consigned. So it was marked down as a case of probable illegal sale of U.S. aid goods. The United States was the loser on two counts: (1) The American taxpayer is out the cost of the

lost, strayed or stolen cement. (2) The battle to gain the confidence and support of peasants and villagers has suffered a setback.

They reported a similar episode in which fertilizer was delivered to the custody of a district official for distribution to farmers of a small Vietnamese village. The fertilizer never reached the farmers and the district official was left untouched by authorities after he presented 200 signatures—incidentally, all in the same handwriting—of farmers who supposedly received their portions of the fertilizer.

Now, a moment ago, I quoted AID officials as saying there could be no practical controls. In fact, they have encouraged public administration advisers to turn their backs on graft and theft.

I think, in good conscience, I should say that I believe the nominee and those around him, above and below, have tried recently to change this philosophy, and although I suggest the earlier philosophy was unrealistic, I would like to keep my remarks in the context of fairness. But when confronted, in the past, with specific examples in which graft and theft can be proved, they have sung a different tune. Here, again, quoting from Hoffman and Mulligan, "one ranking AID executive" was quoted as saying:

We do not pretend to have a thoroughly efficient inventory regulation at the district or village levels. We accept integrity of the documents presented to us by the district and village officials. So there could be theft at the village level we don't know about.

Thus, AID has constructed excuses for lack of control and efficiency, in the past, again let me say, to meet almost any eventuality. If you are talking to someone primarily concerned about our military effort, you say: "There's a war on and thus controls are impractical." If you are talking to someone suspicious of Vietnamese villagers, you say: "Graft and corruption are a way of life here and you must expect this kind of thing." If you are talking to someone who is sympathetic to the plight of Vietnamese villagers, you say: "We must assume and accept their integrity."

Mr. Chairman, I could go on for hours talking about inadequate auditing—the last one, as I said a moment ago, was completed in the summer of 1961; about illicit practices affecting our aid program; about the port situation; and many, many other aspects of this almost unbelievable situation.

I could fill a book in itself about AID procurement of steel, in which we have demonstrated that sound practices, once forced upon AID, result in huge savings.

#### NOMINEE SHOULD BEAR RESPONSIBILITY FOR MALADMINISTRATION

But I think I have said enough, perhaps more than enough, to demonstrate that during Mr. Poats' tenure as AID's Assistant Administrator for the Far East since April 1964, and for 28 months before that as Special Assistant to the Assistant Administrator for the Far East, he has had ample opportunity to learn of the deficiencies in his program and to take steps to correct them. Yet, according to the Moss committee and to reports made by a variety of public and private sources—ranging from the General Accounting Office to the Associated Press—action has replaced excuses only in the past few months. In short, corrective action was not taken until investigation by Members



of Congress and the white heat of publicity generated by energetic newsmen forced the whole sordid mess into public view.

This, Mr. Chairman, is the record, at least excerpts therefrom, of what has been going on in AID in southeast Asia.

If our aid program to Vietnam has been badly run—and I believe the evidence bears this out beyond reasonable doubt—then the man in charge of administering that program must assume the burden of responsibility.

But, there are those who seek to absolve from any blame for this debacle the man who had directed our Vietnam aid program for the last three years. They point out the great difficulty in dealing with any problem in Vietnam. Even Congressman John Moss, for whom I have the greatest respect, has suggested in the letter which was put into the record, that the Chairman of this committee and the committee should not conclude that despite his findings of massive waste brought about by poor organizational and management practices, Mr. Poats should not be held accountable. In fact, he gives very fine testimony, and I want to point that out, on behalf of the nominee.

I readily agree that it is frustrating and it must be difficult, to say the least, to administer a program of this size halfway around the world. And, certainly, there are many factors to be considered other than the administrative ability of Mr. Poats in assessing the failure or success of the program.

But can we rightly say that the nominee has no responsibility whatsoever for the Vietnam aid fiasco, as Congressman Moss said in his letter? If not Mr. Poats, then who is responsible? The administrator? The Secretary of State? The President?

Indeed, I think these top officials cannot escape the ultimate responsibility. But who is actually to blame? Take the example of a bank president whose loan officer uses poor judgment in making an unrecoverable loan. The bank president might have to assume ultimate responsibility for the error; but I doubt seriously, Mr. Chairman, that the bank president would react by recommending that the erring executive be promoted to bank vice president in charge of loans.

Harsh as it may sound, I believe we must hold the nominee accountable for America's program of aid in Vietnam. He was the chief administrator over the Vietnam aid program. At the very least, the condition of the Vietnam aid program should be the dominant factor in considering the nominee's administrative ability.

Despite its inherent difficulties, the Vietnam aid program should not have been permitted to drift aimlessly into a rudderless chaos of collusion, corruption and kickbacks which were spread on the record by all of these reports. It should not, Mr. Chairman, have been permitted to become a maelstrom of misdirected goods, widespread theft and graft, and inadequately staffed and poorly guided AID missions across Vietnam.

INEFFICIENCY SHOULD NOT BE REWARDED

Mr. Chairman, another factor concerns me over the prospective nomination of Mr. Poats. It goes much deeper than his qualifications for this particular job or what has happened in Vietnam. For I feel very strongly that to reward such performance with elevation to the

second highest position in our aid program—a position from which the nominee could well succeed to the highest office in AID—that such promotion is to invite disaster not only for our aid program in Vietnam, but for our total foreign aid effort as well.

I need not tell you, Mr. Chairman, that in the past few years the American people have become increasingly critical of our foreign aid program. With some exceptions in the field of military assistance, I want to point out that I have consistently supported foreign aid since I have come to the Senate. I have not been a witch hunter. I do not say anyone who is critical of foreign aid is. I certainly have supported this, with the exception of some of this foreign aid in the military area and I might add that this support has not always represented the popular position among a large number of my constituents.

Yet, I firmly believe that foreign aid—well planned and carefully administered—has been and can continue to be one of the Nation's most effective tools in our never-ending search for a world at peace.

But I cannot—and my constituents will not—condone bungling, waste, and mismanagement costing us—well, some people estimate as high as a half million dollars a day.

None of us can condone and permit such bungling to go unchallenged and unchecked. Certainly, we must not reward inefficiency and lack of management capability with even greater authority and increased responsibility.

I ask you, Mr. Chairman, how can I justify such a promotion to the people I represent? How can any of us ask them for their continued support of a program in which administrative malfeasance begets not condemnation, but commendation; not rebuke, but reward; not punishment, but promotion?

The truth is we cannot expect the continued support of the people of this country if we take such action. They will demand an end to such a program, and, in my opinion, not without justification.

#### EXERCISING THE PREROGATIVE OF THE SENATE

Mr. Chairman, I think, in closing, I should confess to you—they say it is always good for the soul—that at one point I had grave reservations about my position, and, frankly, had decided not to oppose this nomination.

Quite frankly, the idea of getting involved in a confrontation where you try to shoot out of the water the nomination of an individual to do battle with a person instead of a program or a legislative measure—this kind of thing goes against my grain.

I asked myself, "What does the junior Senator from Indiana, pretty low down on the totem pole of seniority in this great body—what right does he have to place himself in opposition to a key appointment recommended by the President, and strongly supported by the Director of the AID Program, Mr. Gaud, who feels Mr. Poats' services are indispensable?"

Why should I inject myself into that?

Very frankly, and I hope without sounding melodramatic because I do not feel that way about it, but just from a very practical standpoint, I finally asked myself. "Did the Founding Fathers really mean anything by giving the Senate the power to advise and consent to ad-

ministration appointees?" If there was wisdom in these actions—and history, I think, indicates great wisdom—then any member of this body has not only the right but the solemn obligation to actively oppose nominations believed not to be in the best interests of the country.

Members of this committee have eloquently expressed the need for Congress to assert itself as a separate and distinct branch of Government. Somewhere, sometime, somehow we must exercise that prerogative to register our explicit and categorical dissatisfaction with waste and inefficiency.

Mr. Chairman, I say that this is the place—and now is the time—and this is the way to exercise that prerogative.

For this issue does not concern Mr. Poats alone. It concerns our broader responsibility as Senators to exercise our function of legislative oversight—our function to review the administration of programs that Congress has authorized and funded.

It seems to me, Mr. Chairman, that those who believe our program of aid for Vietnam has been wanting for firm leadership and skilled management; those who believe that inordinately wasteful practices have been permitted to grow and flourish despite repeated warnings to correct and control these abuses; those who believe that the Senate of the United States has an obligation to the people to avert further and even broader mismanagement, then I think those of my colleagues who believe this, Mr. Chairman, should join me in opposing Mr. Poats' nomination.

I thank the Chair and the members of the committee for their tolerance. I do not like to read statements, as I said. I wanted to try to summarize from the various reports and documents and I would not want to have anything I said taken inadvertently out of context because of the very, very difficult position to which I find myself in opposing the promotion of an individual.

#### DUTY AND OBLIGATION UNDER CONSTITUTIONAL SYSTEM

The CHAIRMAN. Senator Bayh, I completely agree with the reasons that you have given in the last part of your statement. I think you have rendered a public service in going to the trouble to prepare a statement and to bring it to the attention of the public as well as to the members of this committee.

I realize it is very distasteful to oppose anything, whether it is a nomination, or legislation, or policy of our government. But if I interpret our system of constitutional government correctly, it is your duty when you feel as you do to come here and to make a statement as you did.

So I think it is a solemn obligation, and if you did not do it, feeling as you do, you would be neglecting your duty as a Senator of the United States.

So I think you have nothing to apologize for. Certainly I would congratulate you on your courage and determination. The very fact that you are a junior Senator, relatively speaking, only evidences greater courage than would be required of a senior Member who feels more secure in his position through experience and knowledge.

I think you have rendered a very important service, regardless of the particular substantive points. I think the points you make, which

NOMINATION OF RUTHERFORD M. POATS

have been publicized in the press, we are all more or less familiar with through the Moss report. I personally do not understand either, in view of the severe criticism by the Moss subcommittee, just who the Congressman does think is responsible for it.

If it is a vague, impersonal organization, that is one point to take, I suppose. It is difficult dealing with, or even discussing, the vague abstraction known as the system. We have to deal with individuals who are responsible for it.

RESPONSIBILITY IS COLLECTIVE

Senator BAYL. Mr. Chairman, may I make one observation about this business, about who is responsible?

The CHAIRMAN. Yes, indeed.

Senator BAYL. I must say I find myself partially in sympathy with the nominee on this because none of us really can avoid responsibility for the situation. All of us in the Senate have to accept some responsibility for a mistake like this that has been going on this long. But I think we can be more specific in this particular case. We have had some significant dealings in this area with AID and have tried to point out, and this started back in February, was it not, of 1966, this started back before the Moss committee went out there in May, to point out some of the imperfections.

I tried to do it in a letter. I tried to do it by phone, without making it public because I would a lot rather clean up this type of very troublesome thing very privately and not get it out into the press, frankly. We got very little results in this way, and we had no alternative but to take our case to the public on the floor of the Senate.

But, be that as it may, that is over, that is past history, and I only point out that in all of this discussion we invariably were referred to the man who had to make the final determination on the question of policy—and that was Mr. Poats. So far as AID Washington was concerned it was Mr. Poats. I do not recall anyone in my office ever being referred to a man—indeed if there is one sitting on the Vietnamese desk down at the State Department or at AID for any decision. Mr. Poats seemed to have the responsibility.

LETTER FROM DEPUTY DIRECTOR OF AID MISSION IN SAIGON

There are those, you could normally say, well, I think a man in Washington is at the mercy of the administrators in the field. This is really true. But I would like to refer the committee specifically, because the Moss testimony is rather thorough, to page 101, to a letter written to Mr. Rutherford Poats from Mr. J. H. Edwards, who was the Deputy Director for U.S. AID mission, Saigon, in which he apparently knows Mr. Poats well enough so that he can call him by his nickname, "Dear Rud," and he says:

At least, once a week I have written you a diatribe on the problems created by the misty and emotional approach to assistance to Vietnam. Fortunately, I have recovered enough selfcontrol to destroy these private mailings.

This was back in November of 1965.

Suffice it to say I don't like nor approve what we are doing here. It is at the same time both unconscious and unconscionable. Let me only make these comments without the lyrics—

And then he goes on to list 12 specific problem areas, and then make ten recommendations. He got no action on this. Finally, in disgust, he resigned. I do not know whether the quote in the paper was correct, but Mr. Poats was quoted in one of the newspapers when he was challenged by Mr. Edwards, who was trying to get this information back from those in Washington, to get those results, said, "Well he is just a businessman and he is not very experienced in Government service," when in essence, I think he served as long as Mr. Poats, I think four months shorter than Mr. Poats, in the Foreign Service area.

So I think that when you find out that here is a person who, with all due respect, was charged with administering a very difficult program, and who had a whole file of critique on how the program could be improved, and yet no improvements were made until Congress went out there, and the press started lambasting AID here, it seems you begin to lose confidence. It seems to me some place along the line we, in the Congress, have the responsibility of zeroing-in, not getting somebody scalped, but insisting that an administrator has to know what is going on.

This is how I get into this area, not that I do not sympathize with Mr. Poats' difficulty in dealing with a very difficult problem.

The CHAIRMAN. I think you make a very persuasive case on that point. We all know it is a difficult problem.

Of course, we realize that many of the involvements in recent years are not the responsibility of the AID Agency.

But having undertaken this responsibility, I would think their reaction to the criticisms from their own people in the field should be very much more effective and much more timely.

The Senator from Missouri, do you have any questions?

Senator SYMINGTON. Yes, Mr. Chairman. I would like to ask a couple of questions of my friend from Indiana for whom I have the greatest respect, as you well know.

#### ANOTHER MAN FOR THE JOB?

You say that you believe a better qualified man can be found for the job in question. Senator, have you anybody in mind?

Senator BAYH. No, sir. I wish I did. Let me say there are some people who have asked me this question, and maybe this was the reason I was standing in the way of Mr. Poats. I wish I did. I would think that certainly we could find such a person.

Senator SYMINGTON. I did not mean it in any such sense.

Senator BAYH. I am certain you did not.

Senator SYMINGTON. I can assure you.

In the past, I have been involved with administrative departments that could be considered relatively permanent, also with ones considered temporary. I found it is almost as difficult to get people to work in a temporary agency as it is easy to get them to work in say, Justice, or Treasury, or State, or Defense.

Mr. Gaud wants this man to help him. If he is not a good man, and some of your testimony here certainly is damaging then I was wondering if you had anybody else you thought would be willing to take the job.

Senator BAYH. Senator Symington, I have not—in May of 1966 I wrote a detailed letter, a "Dear Dave" letter, to Dave Bell, whom I respect, suggesting some improvements, one of them was that we should try to make a search to get some people.

Senator SYMINGTON. I know you will be sympathetic with one apprehension I have about this sort of localizing the whole problem on one human being who has a life to lead, as do the rest of us.

#### GAO AUDIT PROBLEMS

I was in Vietnam last January, and talked with members of the General Accounting Office. They said that of \$300 million of contracts to a private contractor group \$120 million had been lost. It seemed to me that to lose 40 percent would be par for the course, a 40-percent loss in an organization operating for a profit.

I voted against the foreign aid program last year. Did you vote for or against it?

Senator BAYH. I voted for it, sir. I might point out, Senator, that the Senator's great reputation as a businessman is such that I would be quick to point out that we have not had an audit out there since 1961. That is a good place to start.

I do not want to zero in on any individual. I am not trying to get at his job or anything. But here is a man who is before us to be promoted.

Senator SYMINGTON. Fowler Hamilton was in there, and he left, and David Bell was, and he left; also the gentleman before Mr. Hamilton, whose name, to be honest, I do not remember, left. This audit problem has been around for a long time.

Until December, 1965, the French controlled most of the Saigon harbor. There also was stealing going on around on the harbor. I imagine there still is.

On these items on your page two from the Vietcong, I noticed that last October we finally overcame an impregnable stronghold of the Vietcong "6 miles" from Saigon. I saw air strikes 15 miles from Saigon myself in January. I noticed in the paper this morning we had a pretty good fire fight, many were killed, 20 miles from Saigon.

Under those circumstances, don't you think that some of these items captured might in turn have been captured by the Vietcong from the South Vietnamese, after we gave it to the South Vietnamese?

Senator BAYH. I think it would be possible—of course, the Senator is a man with a great military record, and I am not. But he is more familiar with battlefield conditions. But it would seem to me that in a military situation where even after there is a victorious battle you do not want to expose yourself to the enemy, you would not take time to haul several hundred bags of rice and several hundred gallons of gasoline, and this type of thing, that has been found still with the labels of U.S. firms from which it came.

I am sure some of this is true, and I have not been to Vietnam, let me say. I tried, I approached the Leader, with the feeling that I would like to go when this whole situation came to my attention. I have had to rely on people who have been employees of the U.S. Government, who have been hired, some of them, to make an analysis of what is going on, and I talked to as many as I could who have been out there, who studied this situation.

Senator SYMINGTON. Let me say to my able friend, I am not criticizing his statement in any way. I commend it, and join the Chairman. This is a fine job of detailed analysis.

#### FAULT LIES IN A LARGER FIELD

The only point is, if we decide Mr. Poats should not be confirmed, do we stop there? It seems to me the fault lies in a larger field.

If I were back there in Washington, I would like an audit of what was going on out there. The average fellow who runs a business say, in Detroit, with distributors around the country, likes to know what the distributors are doing, and the distributors should like to know.

Let me put it to you this way. We are spending somewhere between \$2 and \$2.5 billion a month in Vietnam, fighting out there. There does not seem to be any reason why waste in the military should be more sacred than waste in the aid program. You would be the first to agree, would you not, there is also waste in the military?

Senator BAYH. I would imagine there probably is. I do not know of it to the extent that the AID program has been brought to my attention.

Senator SYMINGTON. Specifically, I understand the Vietcong live at times off the South Vietnamese materials they have captured. Without criticizing the courage of the South Vietnamese troops, the Vietcong have shown tremendous courage.

When I was out there, some 30 of them got through the wire. They knew they would be either dead or captured.

They killed, I believe, 18 of them and captured 12. In effect, you might say, they were committing suicide for a cause.

With that type and character of courage, wouldn't you think, especially as they need the rice and the oil and the shovels and the salt, if they win a victory, that they are going to take it?

Senator BAYH. I said earlier that I think this has probably happened. But I think it would be much more likely that they would pick up weapons and things they could carry with them, then try to carry around hundreds of bags of rice and drums of gasoline, and every evidence is they do not have to get these things on the battlefield. They can get them in any other number of ways.

Senator SYMINGTON. They could get them on the battlefield for nothing. They have to compete with the South Vietnamese to get the rice that comes up from the delta. Sometimes it is a question of who steals the most.

Senator BAYH. I personally do not condone either one of them.

Senator SYMINGTON. The Cambodians are in there also, so it gets pretty tricky.

#### AMOUNT OF WASTE IN THE WAR

The AID people are not, you might say, the most influential Americans, especially with the South Vietnamese Government.

I looked at the black markets myself. You can buy most anything if you want to pay the price. It is all out in the streets, no side alley or deals in the backroom.

So what impresses me about your report is the tremendous amount of waste that is going into this war.

I happen to be one who believes it is unfortunate, we are now in a large ground war in Asia. But inasmuch as we are there, I would hope to see us use more of our technological ability to bring whatever success is possible. I notice you say that despite its inherent difficulties, the Vietnam aid program should not have been permitted to drift aimlessly into a rudderless chaos of collusion, corruption, and kickbacks.

There has been a major who was convicted of putting narcotics into Vietnam, and an officer who was head of the port at Saigon convicted of improper action, bringing things into the country illegally. It seems to me a lot of what is going on out there is pretty much of a mess. Wouldn't you agree with that?

Senator BAYH. Yes, sir. But I think my colleague and good friend from Missouri would realize just by calling it a mess would not make it any better, and I would hope maybe Mr. Poats has learned in these past few months how to be a better administrator. I give him credit for reasonable intelligence. But I would like to see him put it to work in his present capacity before we promote him to the No. 2 job after seeing this whole debacle. I quote here from page 51 of the Moss report which says that the chief auditor complained that he was not able to carry out his program for audit as originally scheduled for fiscal year 1966 because of frequent requests by the mission director in AID Washington for routine and limited work of an investigative nature, and limited financial audit.

I pointed out earlier that the Deputy Director of AID, the AID mission in Vietnam, Mr. Edwards, wrote a rather detailed and personal letter to Mr. Poats outlining certain things going wrong and making specific suggestions.

#### FOREIGN STEEL PRODUCTS USED IN VIETNAM

I personally had experience in my office with a program that because of the way AID was administering it, resulted in steel being sold—

Senator SYMINGTON. I think I joined the Senator.

Senator BAYH. Yes, you did.

Senator SYMINGTON. And spoke in favor of his position.

Senator BAYH. Here they were getting \$100 a ton more, \$96 a ton more, than the market would bear. There was collusion and graft and kickbacks. The quality of the steel was such that it would last 8, 9, 10, 11 months, whereas, the U.S.-made steel products, which had the proper thickness and right kinds of coating, would last 11 or 12 years.

Now, we brought this to the attention of the people down there. They denied that it was going on. In fact, we finally had to get GAO to go in and subpoena the files, and we found out that in the files was a report made by a French firm that said what was going on down there was worse than we had even imagined. Now, this kind of thing I just cannot ignore.

Senator SYMINGTON. As I understand the Senator's position, he would not object to Mr. Poats' staying in Vietnam but he does not want him to come to Washington and be promoted; is that right?

Senator BAYH. I would like to see if he has learned in the past—he is in Washington now over all of southeast Asia, and I would like to see if, perhaps, the man has learned; and if he has, let us see the



operation of the program the next year or so. But certainly, the past three years while he has been there as the top man over that whole aid area over there, you just cannot recommend someone on that kind of record, so far as I am concerned, for a promotion.

Senator SYMINGTON. Mr. Chairman, I am impressed with the position of our colleague. I would hope we would give Mr. Poats a chance to reply to this long statement, perhaps, Mr. Gaud also. These are serious statements. I know the Senator is completely sincere about them.

He was absolutely right about the steel. The record later so proved. The American taxpayer is deeply involved in these problems, not only on the nonmilitary but also on the military side, as to what we are getting for what we are spending.

#### ORDER LET TO WEST VIRGINIA FIRM

Senator BAYH. I might write one final chapter. I think the Senator is already aware of this, but I would like to show as far as judgment is concerned, and the steel business, that is closed.

The regrettable thing about this is, because I personally was involved in the steel issue. I found out about it, that there are those down at AID who have been telling some of our colleagues here on the Hill that my opposition to Mr. Poats is a result of a personal pique. I have even heard an implication or two, and I certainly do not accuse Mr. Poats of this because I do not think that gentleman would do this, but some have indicated that, "Well, you know, this is just a private little thing that Bayh has got going with the steel companies."

Well, this is not so. The steel thing is over. It took three times for Congress to do it, but we finally licked them on it, and I just point out as far as judgment is concerned, that in the argument that was going on, one reason we got so much opposition from Mr. Poats and others down at AID was they said, "Well, no United States steel company would sell steel products down there of that particular quality, and if they did they could not compete."

Well, the first order that was let, the first contract that was let, under the amendment that the Senator from Missouri assisted us on was for 20,000 tons of corrugated, galvanized steel products, and in that one batch, just a small batch, the first time we saved \$300,000, and if you want to prorate that a contract which went to Wheeling Steel, W. Va., not Gary, Ind., or East Chicago, or Hammond, or any place like that; it went to West Virginia, and if you prorate that it would mean a savings of \$15 or \$20 million a year in the purchase of this type of product.

Senator SYMINGTON. As against the purchase in Korea.

Senator BAYH. Yes.

Senator SYMINGTON. I have no further questions or comments.

#### POSSIBLE FUTURE HEARINGS

The CHAIRMAN. I will say to the Senator from Missouri I would have no objection to having Mr. Gaud and Mr. Poats back. Unfortunately, today is a very difficult day to prolong this any longer, and we do not have a quorum to vote.

So we will adjourn now and the staff will inquire of Mr. Poats and Mr. Gaud if they wish to come back. I think perhaps they should certainly be given an opportunity to comment upon the Senator from Indiana's statement.

Again, I wish to commend the Senator from Indiana for taking the responsibility of doing an enormous amount of work, and for taking the criticism, which I know anyone who raises a question of this kind is exposed to, in coming here. I think you deserve a great deal of credit for doing that.

Senator BAYH. Thank you, Mr. Chairman.

Senator SYMINGTON. Mr. Chairman, I would associate with that latter remark.

Senator BAYH. I want to make one final comment. I am not out to get Mr. Poats. I am not trying to get his job, and if they create this new Vietnam agency he will still have a chance in his present capacity to supervise Vietnam aid and we will see whether, perhaps, he has learned a bit more about the administration, and can go ahead to get someone else to be the No. 2 man.

I do not know who that person will be.

The CHAIRMAN. That is for the future. I thank you very much.

We will be adjourned until tomorrow morning.

(Whereupon, at 12:25 o'clock p.m., the committee adjourned.)

(The following statement was subsequently received:)

#### RESPONSE BY RUTHERFORD M. POATS TO THE STATEMENT OF SENATOR BAYH

Mr. Chairman: I appreciate the opportunity you have afforded me to respond to Senator Bayh's criticism.

I am not, of course, a proper witness to my own competence. I can, however, offer some factual comments on the evidence on which his case is based.

The criticism is confined to management of the AID operations in Vietnam. As the committee knows, my responsibilities also have included policy guidance to and Washington support of AID programs with Korea, Taiwan, the Philippines, Thailand, Laos, Indonesia, Burma and regional institutions.

Many of the comments on Vietnam operations were, I believe, drawn from allegations made in the past which have subsequently been shown to be incorrect or exaggerated.

#### EXAMPLES

1. The allegation that "loss and diversion of hundreds of millions of dollars worth of American aid" have occurred, or that waste of American economic aid amounts to "a half million dollars a day."

There was no factual basis for these estimates when they were originally made in a series of press dispatches quoting rumors and off-hand guesses. There is no basis for them today. A series of studies and estimates made by the AID Mission and reported to the President and the Congress by the AID Administrator in January indicated losses at that time through theft and diversion were about 5 to 6 percent, or an annual rate of \$20 to \$30 million if projected against total commodity aid disbursements in 1966.

This is an unacceptable loss rate, although probably not abnormal in a war theater, and we have continued to strengthen measures to reduce it as rapidly as we could obtain qualified staff for these assignments. We already have evidence that losses in the port of Saigon have been sharply reduced on AID project commodities and Food for Peace supplies.

2. The story of the alleged diversion of 400 bags of cement destined for a school construction project.

In fact, this cement was found to have been misdirected to a U.S. military unit. It was located there and sent to the project, where it was properly used. (The Vietnamese district chief was interviewed by the press reporter at a time when the misdirected cement had not been located.)

3. The quotation from a press report on disappearance of trucks and barges carrying aid supplies and discovery of AID or Food for Peace supplies in Viet Cong caches.

Such incidents have occurred. However, the report that U.S. rice was found in the particular cache mentioned was proved to be incorrect; expert examination showed it to be domestic Vietnamese rice repacked in bags originally used for American rice.

This is not to say that the Viet Cong have not acquired some AID-financed or Food for Peace supplies, most of which was shipped to Vietnam for sale on the open market last year. Long before any congressional or press criticism was heard, we helped the Vietnamese police establish "resources control" check points and patrols to intercept goods being smuggled to Viet Cong military units. The nature of the war makes it impossible to fully deny locally available goods to the Viet Cong.

We could not carry out policy directives to support the widely dispersed, village-level "Revolutionary Development" program if we insisted on absolute assurance that every shipment would reach its proper destination or that Americans would manage and install all the equipment and supplies we furnish to the Vietnamese local leaders for village projects. We have, however, enlarged our logistics staff to provide greater accountability and security of supply movements. We have stationed auditors in regional headquarters to check reports of diversion. The Vietnamese Government has strengthened its anti-corruption surveillance and removed some major officials accused of corruption. We have obtained military assistance in ground and air movement of supplies. But we cannot devise absolute guarantees in this situation against some theft, highway holdups and corrupt diversion.

As I said in my opening remarks to the Committee, "The war does, of course, affect our judgment and decisions. If we can shorten the war or increase the prospects of a secure peace by provision of economic aid, medical assistance or relief, we do it, often with costs or risks we would not accept in a normal aid program. We have simply not been able to wait until the optimum conditions of aid administration existed."

4. The allegation that AID had allowed procurement with AID funds of 8 million "pink bathtub stoppers."

These stoppers, as the invitation to bid which he displayed indicated, were for a Vietnamese laboratory supply firm. They were to fit bottles with a mouth of approximately one-half inch in diameter, and they were one-third of an inch high—clearly not bathtub size.

5. The statement that AID stopped financing imports of silver nitrate after belatedly discovering that it was being converted in Vietnam into silver and explosives.

Considerable investigation has failed to produce evidence that explosives were being manufactured in this very costly way. Silver, apparently for jewelry and hoarding, was being obtained.

#### POLICY CRITICISM

The statement criticizes the rapid expansion of the AID Commercial Import Program without adequate management staff in Vietnam to plan and police it.

We have acknowledged this. It was the considered judgment of all senior officials of the U.S. Government concerned at the time that we had no acceptable alternative. Refusal to do so, when the U.S. military buildup and expanded Vietnamese military spending were creating the threat of a runaway inflation, could have undermined the entire US-Vietnamese effort, at incomparably greater cost.

From the moment of that decision, we initiated recruitment of an expanded commercial import staff and audit staff of the Saigon mission and began arranging for assignment of U.S. Customs Bureau examiners to work in the port of Saigon. It has been difficult to obtain such specialized staff for duty in Vietnam, but it has been done.

We also obtained agreement of the Government of Vietnam to expand its own financing of commercial imports and increases in Vietnamese taxes. The U.S. military command undertook measures to reduce the inflationary impact of military construction and to curb private spending of piasters by U.S. forces in Vietnam. Urgent port expansion work was undertaken by both the U.S. military command and AID.

As soon as the market was assured of increased supplies to meet the greatly increased demand, the Vietnamese Government and the International Monetary Fund agreed on the devaluation of the piaster, which was carried out in June. At about the same time, several significant changes in the procedures of import licensing and financing were put into effect.

The statement conveys the impression that this expanded program and related policy measures failed in their purpose of preventing a runaway inflation.

The sharp upward trend in prices began in mid-1965 and continued through the first half of 1966, parallel with the intensified Viet Cong interdiction of domestic transportation and the U.S. troop buildup, accompanied by very large-scale military construction. A combination of several measures was required: restraint on piaster spending, increased domestic production and movement of goods, increased tax collections and increased imports. These measures were agreed upon among the U.S. agencies concerned and with the Government of Vietnam in January-February, 1966, but progress in opening internal transportation and increasing domestic revenues was disappointing. It was recognized that military piaster spending for local goods and services could not be fully neutralized by imports.

The increased volume of AID-financed commercial imports did not have their full anti-inflationary effect until mid-1966, due largely to procurement lead times. The threat of runaway inflation subsided quickly after the devaluation of the piaster in late June and the arrival of increased import flows.

Prices remained relatively stable from July 1966 through December 1966. The Saigon cost of living index for working class families, which had risen 73% between June 1965 and June 1966, leveled off after an initial 21% reaction to devaluation and rose only 4% between July and December. Prices of food and certain other goods recently pushed upward again, partly under pressure of the Lunar New Year buying season and partly due to a sharp increase in rice prices stimulated by false fears of shortages. This rice price push now has been checked and appears to be reversed by increased imports.

Our aid and joint Vietnamese-American economic policies have spared Vietnam the disastrous inflation which Korea suffered during its war. In the first year of the Korean conflict retail prices in Pusan rose by more than 7½ times, and before the war was over prices were more than 24 times higher than in early 1950.

In disputing these criticisms, I do not wish to imply satisfaction with our performance in all respects or to deny our need for criticism. Mistakes have been made, goods have been stolen, problems inherent in this war theater operation and in the Vietnamese society itself have frustrated many hopes. We have not been able to staff specialized positions in a rapidly expanding mission as promptly as the demands for action sometimes required. There have been times when AID did not or could not adequately assure protection of its management interests because of our role as adviser, rather than manager, or because our interests had to be reconciled with others in the overall U.S. effort.

I submit, however, that despite these problems and shortcomings AID had carried out in Vietnam an unprecedented, uniquely difficult assignment in a way that has earned the praise of many observers who have examined the program objectively.

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